GABY INC.
(formerly GABRIELLA'S KITCHEN INC.)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 AND 2018
(in Canadian dollars)

August 13, 2020

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Gaby Inc. (formerly Gabriella's Kitchen Inc.) and all information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality and has ensured consistency with the financial information presented elsewhere in Management's Discussion and Analysis.

To assist management in the discharge of these responsibilities, the Corporation has established an organizational structure that provides appropriate delegation of authority, division of responsibilities, and selection and training of properly qualified personnel. Management is also responsible for the development of internal controls over the financial reporting process.

The Board of Directors is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of independent directors. The Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Davidson & Company on behalf of the shareholders in accordance with generally accepted auditing standards. Their report outlines the nature of their audits and expresses their opinion on the consolidated financial statements.

[signed]
Margot M. Micallef
Chair & CEO and acting CFO

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Gaby Inc. (formerly Gabriella's Kitchen Inc.)

Opinion

We have audited the accompanying consolidated financial statements of Gaby Inc. (formerly Gabriella's Kitchen Inc., the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates the Company has had operating losses, negative cash flows from operations and working capital deficiencies. These events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dylan Connelly.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

August 14, 2020

GABY INC. (formerly GABRIELLA'S KITCHEN INC.)
Consolidated Statements of Financial Position

In Canadian dollars	Note	As at December 31 2019	2018
ASSETS			
Current			
Cash		**698,951**	53,658
Accounts receivable	4	**2,088,201**	367,590
Inventories	5	**1,471,410**	592,771
Prepaid expenses and deferred costs	6	**750,338**	236,259
		5,008,900	1,250,278
Non-current			
Property and equipment	7	**7,384,948**	534,028
Intangible assets and goodwill	8	**7,217,874**	2,775,642
Security deposits		**253,817**	54,194
Total assets		**19,865,539**	4,614,142
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	**4,207,012**	1,510,790
Income taxes payable	24	**48,349**	-
Short-term notes payable	12	**207,424**	-
Current portion of lease liabilities	16	**406,068**	58,600
Current portion of long-term debt	17	**80,118**	-
Current liabilities before the following:		**4,948,971**	1,569,390
Promissory notes payable	13	**1,463,179**	-
Convertible debentures	15	**635,255**	-
Contingent consideration payable	3	**-**	1,615,392
		7,047,405	3,184,782
Non-current liabilities			
Lease liabilities	2,16	**6,342,261**	79,087
Long-term debt	17	**177,592**	-
Deferred lease inducement	2	**-**	46,942
Deferred tax liability	24	**347,194**	332,600
Total liabilities		**13,914,452**	3,643,411
SHAREHOLDERS' EQUITY			
Share issuance obligation	18	**-**	511,200
Share capital	19	**43,068,525**	18,218,110
Contributed surplus	19	**5,373,688**	1,270,663
Deficit		**(41,943,032)**	(19,154,623)
Accumulated other comprehensive income (loss)		**(548,094)**	125,381
		5,951,087	970,731
Total liabilities and shareholders' equity		**19,865,539**	4,614,142
Going concern	1		
Contingencies	31		
Subsequent events	34		

See accompanying notes to the consolidated financial statements

On behalf of board: *[signed]* Margot M. Micallef, Director

[signed] Jackie Altwasser, Director

GABY INC. (formerly GABRIELLA'S KITCHEN INC.)
Consolidated Statements of Loss and Comprehensive Loss

In Canadian dollars	Note	Year Ended December 31 2019	2018
REVENUE			
Gross revenue		**11,887,741**	2,442,236
Promotional activity		**(770,928)**	(838,831)
Amortization of product listing fees		**(141,321)**	(111,804)
Total revenue		**10,975,492**	1,491,601
COST OF SALES			
Direct inventory costs	20	**10,553,642**	1,340,960
Variable gross profit (loss)		**421,850**	150,641
Allocated indirect costs	21	**1,138,846**	646,711
Distribution costs		**192,760**	204,196
Total cost of sales		**11,885,248**	2,191,867
Gross profit (loss)		**(909,756)**	(700,266)
Selling, general and administrative expenses	22	**12,788,201**	5,024,538
Share-based compensation and expenses	18	**1,216,624**	803,295
Depreciation of plant and equipment	7	**517,695**	54,430
Amortization of intangibles	8	**16,916**	15,558
Loss from operations before the following:		**(15,449,192)**	(6,598,087)
Interest expense		**(770,638)**	(633,101)
Interest income		**3,851**	9,744
Other gains (losses)	23	**(6,899,805)**	(499,070)
Total other income (expenses)		**(7,666,592)**	(1,122,427)
Loss before income tax expense (recovery)		**(23,115,784)**	(7,720,514)
Current income tax expense		**22,280**	-
Deferred income tax recovery		**(349,655)**	-
Income tax expense (recovery)	24	**(327,375)**	-
Net loss		**(22,788,409)**	(7,720,514)
Other comprehensive income (loss), net of tax			
Items that may be reclassified to net profit or loss in the future:			
Exchange difference on translation		**(578,950)**	125,381
Items reclassified to net profit in the current period:			
Divestiture of subsidiary	3	**(94,525)**	-
Total comprehensive loss		**(23,461,884)**	(7,595,133)
Net loss per share:			
Basic and diluted	25	**($0.16)**	($0.12)

See accompanying notes to the consolidated financial statements

GABY INC. (formerly GABRIELLA'S KITCHEN INC.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

In Canadian dollars	Note	Share issuance obligation	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2017		**-**	**6,544,097**	**-**	**(11,434,109)**	**-**	**(4,890,012)**
Net and comprehensive loss		-	-	-	(7,720,514)	125,381	(7,595,133)
Issuance of shares and warrants for cash	19	-	576,199	98,313	-	-	674,512
Issuance of shares and warrants – debt conversion	19	-	4,095,883	698,822	-	-	4,794,705
Issuance of warrants attached to convertible debentures	19	-	-	102,616	-	-	102,616
Share-based compensation	18	511,200	604,510	124,886	-	-	1,240,596
Debenture conversion	15	-	5,861,289	(45,529)	-	-	5,815,760
Warrant exercise	19	-	78,240	(540)	-	-	77,700
Issued on business acquisition	3	-	457,892	-	-	-	457,892
Stock option expense	18	-	-	292,095	-	-	292,095
Balance as at December 31, 2018		**511,200**	**18,218,110**	**1,270,663**	**(19,154,623)**	**125,381**	**970,731**
Net and comprehensive loss		-	-	-	(22,882,934)	(578,950)	(23,461,884)
Reclassification of comprehensive loss	3	-	-	-	94,525	(94,525)	-
Settlement of share-issuance obligation	18	(511,200)	511,200	-	-	-	-
Issuance of Units	19	-	17,977,518	1,997,502	-	-	19,975,020
Issuance of shares subscribed for	19	-	250,000	-	-	-	250,000
Issued on business acquisitions	3	-	7,780,138	5,000	-	-	7,785,138
Equity issuance costs	19	-	(2,205,885)	927,140	-	-	(1,278,745)
Warrant exercise	19	-	216,286	(2,236)	-	-	214,050
Share-based compensation	18,19	-	779,050	184,664	-	-	963,714
Stock option expense	18	-	-	1,048,848	-	-	1,048,848
Forfeiture of stock options	18	-	-	(72,236)	-	-	(72,236)
Issuance of warrants attached to convertible debentures	19	-	-	81,900	-	-	81,900
Issuance of warrants attached to promissory notes	13	-	-	40,625	-	-	40,625
Returned to treasury and stock option cancellation	3	-	(457,892)	(108,182)	-	-	(566,074)
Balance as at December 31, 2019		**-**	**43,068,525**	**5,373,688**	**(41,943,032)**	**(548,094)**	**5,951,087**

See accompanying notes to the consolidated financial statements

GABY INC. (formerly GABRIELLA'S KITCHEN INC.)
Consolidated Statements of Cash Flows

In Canadian dollars	Note	Year Ended December 31 2019	2018
OPERATING ACTIVITIES			
Net loss		**(22,788,409)**	(7,720,514)
Adjustments to arrive at cash flow from operations:			
Deferred income tax recovery		**(349,655)**	-
Depreciation	7	**813,352**	170,132
Amortization of intangible assets	8	**16,916**	15,558
Interest expense		**770,638**	633,101
Interest income		**(3,851)**	(9,651)
Share-based payments	18	**1,216,624**	1,145,011
Unrealized foreign exchange loss (gain)		**(97,996)**	173,504
Other adjustments	26	**5,319,353**	(68,868)
Cash used in operating activities before the following:		**(15,103,028)**	(5,661,727)
Net change in non-cash working capital related to operations	27	**(2,188,069)**	515,820
Cash used in operating activities		**(17,291,097)**	(5,145,907)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(836,168)**	(81,954)
Purchase of intangible assets		**(512,304)**	(42,918)
Issuance of notes receivable		**(838,288)**	(1,124,830)
Notes receivable – payments received		**-**	390,630
Cash purchased in acquisition	3	**184,055**	151,258
Cash divested in divestiture	3	**(5,655)**	-
Deposits paid		**(219,745)**	-
Deposit refunds received		**1,595**	-
Cash used in investing activities		**(2,226,510)**	(707,814)
FINANCING ACTIVITIES			
Proceeds of promissory notes		**2,799,085**	-
Proceeds on callable debt		**-**	387,960
Repayment of convertible debenture/ promissory notes		**(2,292,992)**	-
Proceeds on convertible debentures, attached warrants	15	**1,550,000**	6,350,000
Issuance costs paid – convertible debentures	15	**(27,893)**	(649,400)
Advances from (to) related parties, net	11	**(161,062)**	(8,018)
Repayment of callable debt		**-**	(408,399)
Repayment of long-term debt		**(35,118)**	(7,308)
Repayment of lease liabilities		**(387,518)**	(38,220)
Cash received for shares not yet issued		**-**	435,011
Warrant exercise		**214,050**	77,700
Issuance of common shares and warrants	19	**20,225,020**	-
Equity issuance costs	19	**(1,028,731)**	-
Interest paid		**(542,645)**	(27,646)
Cash provided by financing activities		**20,312,196**	6,111,680
Foreign currency translation adjustment		**(149,296)**	(52,457)
Net change in cash		**645,293**	205,502
Cash (bank indebtedness), beginning of year		**53,658**	(151,844)
Cash, end of year		**698,951**	53,658

See accompanying notes to the consolidated financial statements, including Notes 26, 27 and 28

NATURE OF BUSINESS

On September 4, 2019, Gabriella's Kitchen Inc. changed its name to GABY Inc. ("GABY" or "the Corporation"). GABY is incorporated in Canada under the Business Corporations Act of Alberta. The Corporation's registered office is 200, 209 – 8th Avenue SW, Calgary, Alberta T2P 1B8, Canada and it trades on the Canadian Securities Exchange ("CSE") under the symbol GABY and on the OTCQB under the symbol GABLF. The Corporation is a wellness company that produces and markets health food products, topicals and tinctures in the United States of America ("USA") and prior to March 2020, produced and marketed health food products in Canada (see Note 34 in respect of the shuttering of traditional food operations). Prior to October 1, 2018, the Corporation only operated in the mainstream consumer packaged goods ("CPG") channel or unlicensed channel, with its offering of traditional better-for-you foods in both USA and Canada. Subsequent thereto, primarily through the acquisitions described in Note 3, the Corporation now produces, markets, and distributes cannabis-related CPG in the USA.

1) GOING CONCERN

These consolidated financial statements for the years ended December 31, 2019 and 2018 ("Financial Statements") have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

During 2019, the Corporation continued to implement its strategy of raising equity financing, growing its portfolio of business holdings via acquisition and providing working capital to fund operations. The Corporation's holdings are in the initial growth stage of the business life cycle and have not yet reached a profitable level of operations. Further, certain of the Corporation's operations are in the USA cannabis sector which has been legalized by certain USA states but remains federally illegal and is subject to legislative uncertainty.

For the year ended December 31, 2019, the Corporation had a net loss of $22.8 million and negative cash flow from operations of $17.3 million. As at December 31, 2019 the working capital deficit was $2.0 million. Management is continuing to address the need to increase revenue and control costs with the goal of becoming profitable on a run-rate basis by the end of 2020. This included the shuttering of traditional food operations as described in Note 34. In addition, Management continues to obtain bridge financing as described in Note 34 while it plans to secure longer term financing. The novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization and has caused significant uncertainty and consequently it is difficult to reliably measure the potential impact of this uncertainty on GABY's future results.

Historically the Corporation has had operating losses, negative cash flows from operations and working capital deficiencies. Whether, and when, the Corporation can attain profitability and positive cash flows from operations is uncertain. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern.

The Corporation will need to raise capital to fund its operations. While the Corporation has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future. The ability to raise capital may be adversely impacted by uncertain market conditions including the impact of COVID-19. To address its financing

requirements, the Corporation will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. These Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

2) BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

These Financial Statements were approved and authorized for issue by the audit committee of the Corporation's board of directors ("Board") on August 13, 2020.

Basis of presentation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes.

Certain comparative figures have been reclassified to conform to the current year's presentation.

New accounting standards, interpretations and amendments adopted by the Corporation

IFRS 16, Leases, applies to annual reporting periods beginning on or after January 1, 2019 and was adopted by the Corporation pursuant thereto. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The new accounting policy and the transitional provisions and disclosures are as follows:

Policy applicable from January 1, 2019

At inception of a contract, the Corporation assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of any identified assets: this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:
    - The Corporation has the right to operate the asset; or
    - The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless it is reasonably certain that the Corporation will purchase or receive title to the asset at or before the end of the lease term, in which case the asset is depreciated over its useful life regardless of the lease term. The estimated useful lives of right-of use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an option renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Corporation presents right-of-use assets that do not meet the definition of investment property in property and equipment and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low value assets including information technology equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Initial adoption

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease as described above.

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not re-assessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

i. Leases classified as operating leases under IAS 17

As lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019 ("**Discount Rate**"). Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Discount Rate at the date of initial application; or
- An amount equal to the lease lability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts of initial adoption on the Financial Statements

On transition to IFRS 16, the Corporation recognized an additional $851,416 of right-of-use assets and $898,358 of lease liability, with the difference of $46,942 reducing the deferred lease inducement liability to $nil.

When measuring the lease liabilities, the Corporation discounted lease payments using a Discount Rate at January 1, 2019. The weighted average rate applied was 11.2%.

	In $
Operating lease commitment at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	**1,115,093**
Above discounted using the Discount Rate at January 1, 2019	**898,358**
Finance lease liabilities recognized as at December 31, 2018	**137,687**
Lease liabilities recognized at January 1, 2019	**1,036,045**

Basis of consolidation

The Financial Statements include the accounts of the Corporation and those of its subsidiaries, which are entities over which the Corporation has control. Control exists when the Corporation has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operation of subsidiaries acquired during the period are included from their respective dates of acquisitions, being the time at which the Corporation obtains control. The Corporation assesses control through share ownership and voting rights. The following companies have been consolidated in the Financial Statements:

	Registered	Holding	Functional Currency
Gaby Inc. (formerly Gabriella's Kitchen Inc.)	Alberta, Canada	Parent Company	Canadian dollar
Gabriella's Kitchen LLC	Delaware, USA	100%	Canadian dollar
Sonoma Pacific Distribution Inc. ("Sonoma Pac")	California, USA	100%	United States dollar ("**USD**")
KJM Data and Research, LLC	California, USA	80%	United States dollar ("**USD**")
GK Brands Inc.	California, USA	100%	United States dollar ("**USD**")
2Rise Naturals LLC	Arizona, USA	100%	United States dollar ("**USD**")
Raw Chocolate Alchemy Inc.	California, USA	100%	United States dollar ("**USD**")

In addition, the Financial Statements include the income and expense accounts of The Oil Plant, Inc. ("TOP"), a California corporation, for the period from October 1, 2018 through August 26, 2019, which is the period that The Oil Plant, Inc. was controlled by GABY.

Intercompany balances and transactions, and any unrealized gains or losses arising from intercompany transactions, are eliminated in preparing the Financial Statements.

Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, along with identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlements of pre-existing relationships; such amounts are generally included in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Translation of foreign currencies

a. Transactions and balances

The accounts of the Corporation are presented in Canadian dollars. Transactions in foreign currencies are translated at the actual rates of exchange on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate at that date. Revenue and expense transactions are translated using the actual rate on the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured at the historical cost, and expenses related to them, are translated using the historical exchange rate at the date of the transaction.

b. Subsidiaries

Items included in the Financial Statements of each entity in the Corporation are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") and has been determined for each entity within the Corporation.

Where foreign operations are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy, and the foreign entity does not generate revenue, the functional currency of the foreign subsidiary is determined to be the Canadian dollar. Accordingly, the translation of the subsidiary from foreign currencies to Canadian dollars is accounted for as a translation to the functional currency as described above.

Where foreign operations are carried out with a significant degree of autonomy and generate revenue, the functional currency is different than the presentation currency and its results and financial position are translated into Canadian dollars as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

- income and expenses for each statement of income or loss and statement of comprehensive income or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income or loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income or loss. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate as described above.

Cash

Cash consists of cash on hand and balances with financial institutions. Cash in bank deposit accounts, at times, exceeds federally insured limits.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of manufactured inventories is based on the first-in first-out method. The cost of procured finished goods and unprocessed raw material inventory is based on weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing the inventories to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset or its development when those costs are necessarily incurred for the asset to function in the manner intended by management. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the straight-line or declining balance method over their estimated useful lives. In the year of acquisition, depreciation is taken at one-half of the rates below. Internally constructed assets are depreciated from the time an asset is capable of operating in the manner intended by management. No depreciation is recorded on property and equipment that is not available for use.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Corporation, and the costs can be measured reliably. This would include costs related to the

refurbishment or replacement of major components of the asset, when the refurbishment results in a significant extension in the physical life of the component, and in which case, the carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance of property and equipment are expensed as incurred in profit or loss.

Any gain or loss on de-recognition of an asset is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized on a net basis in profit or loss.

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date. The methods of depreciation and depreciation rates applicable for each class of asset are as follows:

Production equipment	4 years Straight-line
Other equipment	20% Declining balance
Signs	20% Declining balance
Furniture and fixtures	20% Declining balance
Computer equipment	30-55% Declining balance

Depreciation of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

Assets under finance lease

Assets under finance leases are recorded at cost. The Corporation provides for depreciation using the straight-line method over the lesser of the assets' estimated useful lives, or the lease term, unless buy-out at the end of the lease term is reasonably assured.

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are recorded at fair value on the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if applicable.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The methods of amortization and amortization rates applicable for each class of intangible asset with finite life are as follows:

Computer software	55% Declining balance
Website costs	55% Declining balance or 3 years Straight-line

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually at the cash-generating unit ("CGU") level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

The life of the cannabis licenses and permits has been determined to be indefinite. While licenses and permits must be renewed from time to time, they are only subject to being in compliance with the conditions thereto and are perfunctory in nature. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to CGU or groups of CGUs which are expected to benefit from the synergies of the combination. Goodwill is tested annually for impairment.

Impairment

a. Financial assets at amortized cost

An 'expected credit loss' impairment model applies, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account. The resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously-recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

b. Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets or CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. Impairment losses recognized in prior years are reviewed by the Corporation at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An asset's carrying amount, increased through the reversal of

an impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVTPL.

The Corporation classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Corporation's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, short-term notes payable, long-term debt, lease liabilities, promissory notes payable, and convertible debentures. The carrying value of current financial instruments approximate their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts. The fair value of the Corporation's non-current financial instruments is approximated by their carrying values as the contractual interest rates are comparable to current market interest rates.

The Corporation has made the following classifications:

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of trade and other receivables and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.

b. Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade accounts payable and accrued liabilities, long-term debt and obligations under finance lease. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Accrued interest, callable debt, long-term debt and obligations under finance lease are initially recognized at fair value net of transaction costs that are directly attributable to the financial liability, and subsequently at amortized cost using the effective interest method.

c. Compound financial instruments

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity components is determined as the difference between the proceeds received on the issuance of convertible debentures and accompanying equity components and the fair value of the liability component. The total fair value of the equity components is apportioned to the individual equity components based on the relative fair values thereof on the date of issuance as determined using the Black-Scholes option pricing model.

The liability component, net of transaction costs that are directly attributable to the acquisition or issue of the financial liability, is subsequently measured at amortized cost using the effective interest method.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability and amount attributable to the conversion feature previously recognized as contributed surplus is reclassified to equity and no gain or loss is recognized.

d. Warrants

Warrants that have been issued in combination with common shares or convertible instruments are evaluated under IAS 32 - Financial Instruments: Presentation. Equity classification applies to instruments where a fixed amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). Warrants that are classified as equity are valued under the Black Scholes Model. If a warrant is exercised, the value of the warrant is included in share capital. If a warrant expires, the value of the warrant is included in contributed surplus.

Research and development costs

The Corporation incurs costs on activities that relate to the research and development of new and existing products. Research costs are expensed as they are incurred. The Corporation capitalizes development costs as incurred when these costs meet the criteria for deferral and amortization pursuant to IAS 38, Intangible assets. Investment tax credits related to the expenditures are recorded when there is reasonable assurance that the credits will be realized. The cost reduction approach is followed whereby investment tax credits related to non-capitalized expenditures are an offset to research and development expense in the year, and investment tax credits related to capitalized expenditures are deducted from the related assets. Investment tax credits are recoverable from the Government of Canada under the Scientific Research and Experimental Development Incentive Programs and are subject to government approval.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

Loss per common share

Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. If the Corporation incurs a net loss during a reporting period the calculation of fully diluted loss per share will not include potentially dilutive equity instruments which would reduce the net loss per share.

Revenue recognition

Revenue from the sale of products is recognized when the risks and rewards of the products have been substantially transferred to the customer (usually on delivery of the goods), which is the Corporation's sole performance obligation. The Corporation experiences few product returns and, accordingly, does not record an obligation for estimated returns. Collection of the Corporation's invoices is consistently high and typically occurs within 90 days of the sale.

Marketing programs provided to customers and operators, including volume rebates, cooperative advertising and other trade marketing programs, are all customer-specific programs to promote the Corporation's products. Consequently, sales are recorded net of these estimated marketing costs at the time of sale. All other non-customer-specific marketing costs (general advertising, etc.) are expensed as incurred as selling, general and administrative expenses.

Certain customers in the unlicensed segment require payment of one-time listing allowances (or "product listing fees") to obtain space for a new product in their stores. These fees are considered incremental costs of obtaining a contract and, if recovery is expected through sales to the customer in future periods, are capitalized as product listing fees (included in prepaid expenses and deferred costs) and amortized to contra-revenue over the estimated recovery period. Product listing fees that are insignificant or are not estimated to have future economic benefit are recorded to contra-revenue in the period incurred.

Share-based payments

The Corporation has a share option plan which permits the Board to grant options to acquire common shares of the Corporation at an exercise price that is equal to or greater than the market price of the common shares on the date of the grant. Share-based payments to employees, executives and non-employee directors are measured at the fair value of the instruments issued and amortized as compensation expense over the vesting periods with a corresponding increase to contributed surplus.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to:

- Contributed surplus - in the case of stock options;
- Share issuance obligation - in the case of an obligation to issue a set amount of shares in the future; and
- Share capital - where common shares are awarded directly.

The fair value of share options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Consideration paid on the exercise of options is credited to share capital and the associated amount in contributed surplus is reclassified to share capital. When shares are issued pursuant to the share issuance obligations, the corresponding amount is reclassified from share issuance obligation to share capital.

For equity instruments issued in advance of the services being provided, the share capital would be recognized when issued, with a corresponding prepaid expense asset for the portion of services yet to be received.

Critical accounting estimates, judgments and measurement uncertainty

The preparation of these Financial Statements requires management of the Corporation to make judgments in applying accounting policies. Judgments that have the most significant effect on the amounts recognized in the Financial Statements are described below. Management also makes assumptions and critical estimates. Critical estimates are those which are most subject to uncertainty and have the most significant risk of resulting in a material change to the carrying amounts of assets and liabilities within the next year. Judgments, assumptions and estimates are based on historical experience, business trends, and all available information that management considers relevant at the time of the preparation of the Financial Statements. However, future events and their effects cannot be anticipated with certainty; accordingly, as confirming events occur, actual results could differ from those estimates and such differences could be material.

The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of these Financial Statements. The sensitivity analysis below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

a. Going concern

The assessment of the Corporation's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in Note 1.

b. Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. The amount of contingent consideration to be paid is based on the occurrence of future events, such as the achievement of future revenue targets ("Targets"). Accordingly, the estimate of fair value contains uncertainties, as it involves judgment about the likelihood of achieving these Targets, and changes in fair value of the contingent consideration will result from changes to the assumptions used to estimate the probability of success for

achieving Targets. A change in the assumed probabilities could have produced different fair value on the acquisition date, which could have a material impact on the results of operations.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

c. Allowance for doubtful accounts

GABY applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the receivable is reduced through use of an allowance account, and impaired receivables are derecognized when they are assessed as uncollectible. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments (such as merchant charge backs), taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected. See Note 4.

d. Share-based payments

The Black-Scholes option pricing model is used to determine the fair value of stock options and warrants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Corporation's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

e. Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debentures, were determined using valuation techniques. The Corporation uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine: (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

f. Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Corporation's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Corporation's ability to utilize the underlying future tax deductions changes, the Corporation would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. See Note 24.

g. Inventories

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by us turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or ''best before'' dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income (loss), and comprehensive income (loss) will be affected in future periods.

h. Property and equipment

Components of an item of plant and equipment may have different useful lives. Management makes significant estimates and judgments when determining asset depreciation rates and useful lives, which require taking into account company-specific factors, such as our past experience and expected use. The Corporation monitors and reviews asset depreciation rates and useful lives at least once per year, and revises them if they are different from previous estimates. The Corporation recognizes the effect of changes in estimates in net income prospectively. Changes to estimates could be caused by a variety of factors, including changes to the physical life of the assets. A change in any of the estimates would result in a change in the amount of depreciation and, as a result, a charge to net loss recorded in the period in which the change occurs, with a similar change in the carrying value of the asset in the statement of financial position.

Furthermore, property and equipment is reviewed for indicators of impairment at each reporting date. Where impairment indicators are identified, the Corporation uses the fair-value-less-cost-to-sell approach to determine the recoverable amount of the assets included in property and equipment, which drives the conclusion of whether impairment exists, and if it does, the amount of impairment to record.

Fair value less cost to sell is determined based on the best information available to reflect the amount that the entity could obtain from the disposal of the assets in an arm's length transaction between knowledgeable, willing parties, after deducting costs to sell. This approach requires assumptions to be formulated about the overall physical condition of the assets and the costs involved to sell the equipment.

Management regularly evaluates these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

i. Intangible assets and goodwill

Management uses estimates in determining the recoverable amount of intangible assets and goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as:

- future cash flows;
- terminal growth rates; and
- discount rates.

Management regularly evaluates these estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgment is also applied in choosing methods of amortizing intangible assets that management believes most accurately represent the consumption of those assets and are most representative of the economic substance of the intended use of the underlying assets. A change in the estimate would result in a change in the amount of amortization and, as a result, a charge to net loss recorded in the period in which the change occurs, with a similar change in the carrying value of the asset in the statement of financial position. See Note 23.

3) BUSINESS ACQUISITIONS AND DIVESTITURE

The Corporation's acquisition and divestiture activity is outlined below. The revenue and net loss of the combined entity as though the acquisitions had occurred at the beginning of the annual reporting period have not been provided as it is impractical to provide due to the acquired entities not being audited under IFRS before the acquisition date.

I. Acquisition of Sonoma Pac

a) Description

On, April 1, 2019, the Corporation acquired 100% of the issued and outstanding equity of Sonoma Pac, a cannabis distribution and marketing company. Through the acquisition, the Corporation obtained a Provisional Type 11 distribution license ("Type 11 License") issued by the Bureau of Cannabis Control in the State of California; the distribution facility and related assets located in Santa Rosa, California; and the Sonoma Pacific brand under which a number of products are sold. The acquisition date fair value of the total consideration is as follows:

	Note	USD	CAD
14,719,567 common shares earned in respect of 2018 target	3.I b)	**3,087,250**	4,121,479
2,530,433 excess common shares issued held in escrow in respect of 2019 target	3.I b)	**530,727**	708,521
Contingent consideration payable based on 2019 target	3.I b)	**2,936,330**	3,920,000
Total estimated consideration		**6,554,307**	8,750,000
The amounts recognized as of the acquisition date are as follows:			
Cash		**126,103**	168,348
Accounts receivable – fair and gross value, estimate 100% recoverable		**6,533,563**	8,722,307
Inventory		**991,858**	1,324,130
Prepaid expenses and deposits		**6,500**	8,678
Plant and equipment	7	**551,793**	736,644
Security deposits		**14,076**	18,791
Intangibles – Type 11 License	8	**2,163,146**	2,887,800
Net deferred tax liability	24	**(455,971)**	(608,721)
Accounts payable and accrued liabilities		**(9,087,393)**	(12,131,670)
Income taxes payable	24	**(99,706)**	(133,108)
Due to related party		**(122,173)**	(163,101)
Lease liability	16	**(549,637)**	(733,765)
Long-term debt	17	**(21,506)**	(28,711)
Notes payable to the Corporation	3.I e)	**(375,000)**	(500,625)
Net identifiable liabilities assumed		**(324,347)**	(433,003)
Add: Goodwill	3.I d)	**6,878,654**	9,183,003
		6,554,307	8,750,000

b) Consideration including contingent consideration

The total consideration was payable in the Corporation's common shares and was contingent upon performance targets in respect of Sonoma Pac's calendar year of 2018 and 2019 as follows:

1) 2018 target: Based on Sonoma Pac's 2018 revenue of United States Dollars ("USD") 4,696,674 as reported in its audited financial statements for the year ended December 31, 2018, 14,719,567 Common Shares were payable in respect of performance targets (based on translation of USD to Canadian dollars ("CAD"). The common shares were valued at the closing price of $0.28 at April 1, 2019.
2) 2019 target: The number of common shares issuable is equal to 0.35 times the increase in verifiable licensed revenue of Sonoma Pac for the year ended December 31, 2019 over 2018 verifiable licensed revenue attributable solely to the verifiable revenue-generating assets of Sonoma Pac acquired by GABY ("2019 Earn-out") translated into Canadian dollars, divided by the volume-weighted average price of the common shares for the 20-day period ending on the day following the public release of GABY's 2019 consolidated financial statements. Based on initial assigned probabilities of different outcomes incorporating results reported by Sonoma Pac to date of the acquisition plus estimated verifiable revenue to the end of fiscal 2019 and an estimate of the percentage of the verifiable revenue generated from the revenue-generating assets of Sonoma Pac acquired by GABY, the Corporation recorded contingent consideration payable of USD 2,936,330 or CAD 3,920,000 is payable in respect of the 2019 target.

   Pursuant to the closing, 17,250,000 shares were issued in escrow ("Escrow Shares"), with the amount and timing of release thereof to Sonoma Pac shareholders subject to final verification of the 2019 Earn-out. As there were 2,530,433 excess shares held in escrow in respect of meeting the 2019 target valued at $708,521, the Corporation originally recorded total contingent consideration payable of $3,920,000. On November 8, 2019, the Corporation negotiated a settlement of the 2019 target with the additional issuance of 14,000,000 common shares with a fair value of $0.13 at time of issuance, which reduced the contingent consideration payable to $1,820,000 and resulted in a gain on contingent consideration liability of $2,100,000.

A total of 26,875,000 of the common shares issued pursuant to this transaction are subject to an escrow condition as follows:

- 6,250,000 to be released upon perfunctory approvals or earlier if the common shares 20-day volume-weighted average trading price ("**VWAP**") is equal to or greater than $3.00
- 6,875,000 to be released the earlier of one year and if VWAP is equal or greater than $1.00
- 6,875,000 to be released the earlier of two years and if VWAP is equal or greater than $2.00
- 6,875,000 to be released the earlier of three years and if VWAP is equal or greater than $3.00

Although the shares are held in escrow, the beneficial holders are entitled to dividends and votes thereon and the release from escrow is perfunctory. Therefore, the shares have been recorded as fully outstanding.

c) Acquisition cash flows

In $	2019	2018
Cash consideration	-	-
Less cash acquired on acquisition	168,348	-
Net cash inflow – investing activities	**168,348**	-

d) Goodwill

The composition of goodwill included the knowledge and experience of Sonoma Pac in respect of distribution of cannabis products in the state of California; its established relationship with reputable cannabis cultivators and manufacturers; as well as the expected synergies from the combination of Sonoma Pac's distribution license and the manufacturing, distribution and pending cultivation licenses acquired subsequently together with GABY's consumer packaged goods expertise. The goodwill recognized had $nil tax value.

e) Pre-existing arrangements

As a result of the acquisition, a 5% short-term note receivable plus interest receivable thereon, amounting to USD 375,000 (CAD 500,625) were eliminated on consolidation against the same amounts due from Sonoma Pac. The interest income and interest expense in respect of the 5% short-term note receivable/payable were eliminated on consolidation effective April 1, 2019. The short-term note payable by Sonoma Pac is included in the determination of Sonoma Pac's net assets in the determination of goodwill.

f) Acquisition costs

Acquisition-related costs of $31,682 that were not directly attributable to the issue of shares are included in selling, general and administrative expenses in the statement of loss and comprehensive loss and in operating cash flows in the statement of cash flows.

g) Revenue and loss contribution

Revenue and net loss from the Sonoma Pac acquisition included in the results of the Corporation for the period from April 1, 2019 to December 31, 2019 were $9,819,278 and $4,706,478, respectively, excluding the impairment charge to goodwill of $5,900,000 (see Note 23). The revenue and net loss of the Corporation for 2019 would have been $21,072,920 [Unaudited] and $23,287,781 [Unaudited], respectively, has the acquisition of date for Sonoma Pac occurred on January 1, 2019.

II. Acquisition of 2Rise Naturals LLC ("2Rise")

a) Description

On December 31, 2019 the Corporation acquired all the issued and outstanding shares of 2Rise. 2Rise owns a portfolio of high-quality organic CBD products. 2Rise's products are focused on the CBD supplement market and complement GABY's existing CBD line.

The Corporation is in the process of obtaining a valuation of the underlying assets of 2Rise, including its intangibles and goodwill, and is also determining 2Rise's working capital balances. The acquisition date fair value of the total consideration is as follows:

	Note	USD	CAD
5,780,000 common shares issued on acquisition	3.II b)	**423,558**	549,100
500,000 warrants	3.II b)	**3,857**	5,000
Additional payments (inventory)		**5,652**	7,327
Total estimated consideration		**433,067**	561,427
The amounts recognized as of the acquisition date are as follows:			
Cash	3.II c)	**5,430**	7,040
Accounts receivable		**9,000**	11,668
Inventory		**17,396**	22,552
Accounts payable and accrued liabilities		**(1,159)**	(1,503)
Income taxes payable		**(2,510)**	(3,255)
Due to related party		**(600)**	(778)
Net identifiable liabilities assumed		**27,557**	35,724
Add: Goodwill	3.II d)	**405,510**	525,703
		433,067	561,427

b) Consideration

GABY acquired all issued and outstanding shares of 2Rise in an arm's-length transaction through issuance of common shares of GABY to the holders of 2Rise shares in exchange for all issued and outstanding 2Rise shares. As part of the transaction, GABY issued 500,000 warrants providing the right to purchase 500,000 GABY common shares at a price of $0.45 for a period of two years.

c) Acquisition cash flows

In $	2019	2018
Cash consideration	-	-
Less cash acquired on acquisition	7,040	-
Net cash inflow – investing activities	**7,040**	-

d) Goodwill

The composition of goodwill includes knowledge and experience of 2Rise in respect of manufacturing and wholesale of skincare products in the United States, as well as the expected synergies from the combination of Sonoma Pac's distribution license together with GABY's consumer packaged goods expertise. Any goodwill recognized has $nil tax value.

e) Acquisition costs

Acquisition-related costs of $16,626 that were not directly attributable to the issue of shares are included in selling, general and administrative expenses in the statement of loss and comprehensive loss and in operating cash flows in the statement of cash flows.

f) Revenue and loss contribution

As the acquisition date was the last day of the year, revenue and net loss from the 2Rise acquisition included in the results of the Corporation for the year are $nil.

As of the date of these consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized.

III. Acquisition of Lulu's Chocolate

a) Description

On December 31, 2019, GABY acquired 100% of the member shares of Raw Chocolate Alchemy LLC (d.b.a. Lulu's Chocolate). Lulu's CBD-infused chocolates are sold in grocery stores across the United States. In addition, Lulu's THC-infused chocolates are sold in dispensaries in California.

The Corporation is in the process of obtaining a valuation of the underlying assets of Lulu's Chocolate, including its property, plant and equipment and its intangibles and goodwill, and is also determining Lulu's Chocolate's working capital balances. The acquisition-date fair value of the total consideration is as follows:

	Note	USD	CAD
6,116,193 common shares issued on acquisition	3.III b)	**448,193**	581,038
Promissory notes issued to former members	3.III b)	**105,000**	136,122
Total estimated consideration		**553,193**	717,160
The amounts recognized as of the acquisition date are as follows:			
Cash	3.III c)	**6,686**	8,667
Accounts receivable – fair and gross value, estimate 100% collectible		**25,091**	32,528
Inventory		**99,943**	129,566
Prepaid expenses and deposits		**78,238**	101,427
Plant and equipment	7	**19,412**	25,166
Accounts payable and accrued liabilities	10	**(24,520)**	(31,787)
Other notes and amounts payable	12	**(27,987)**	(36,283)
Note and amounts payable to the Corporation and its subsidiaries	3.III e)	**(295,051)**	(382,504)
Net identifiable liabilities assumed		**(118,189)**	(153,220)
Add: Goodwill	3.III d)	**671,382**	870,380
		553,193	717,160

b) Consideration

GABY acquired all issued and outstanding shares of Lulu's in an arm's-length transaction through issuance of common shares of GABY to the holders of Lulu's member shares in exchange for all of Lulu's member shares. As part of the Transaction, GABY issued promissory notes totaling USD 105,000 to various former members of Lulu's.

c) Acquisition cash flows

In $	2019	2018
Cash consideration	**-**	-
Less cash acquired on acquisition	**8,667**	-
Net cash inflow – investing activities	**8,667**	-

d) Goodwill

The composition of goodwill would includes knowledge and experience of Lulu's in respect of manufacturing and wholesale of chocolate products in the state of California, as well as the expected synergies from the combination of Sonoma Pac's distribution license together with GABY's consumer packaged goods expertise. Any goodwill recognized has $nil tax value.

e) Pre-existing arrangements

In contemplation of the Corporation's acquisition of Lulu's, it and is subsidiaries advanced USD 295,051 (CAD 382,504) to Lulu's prior to the close of the acquisition. The payable by Lulu is included in its net assets in the determination of goodwill and pursuant to the acquisition, such amount is eliminated against the offsetting receivable of the Corporation. Included therein, is a short term payable previously due from Lulu's for USD 40,000 which the Corporation assumed immediately prior to and in contemplation of the close of the acquisition.

f) Acquisition costs

Acquisition-related costs of $30,981 that were not directly attributable to the issue of shares are included in selling, general and administrative expenses in the statement of loss and comprehensive loss and in operating cash flows in the statement of cash flows.

g) Revenue and loss contribution

As the acquisition date was the last day of the year, revenue and net loss from the Lulu's acquisition included in the results of the Corporation for the year are $nil.

As of the date of these consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized.

IV. TOP Acquisition (2018) and Divestiture (2019)

a) Description

On October 1, 2018 the Corporation acquired 100% of issued and outstanding equity of TOP, a cannabis extractor and infused product manufacturer located in Northern California. The acquisition included: a Type-6 non-volatile manufacturing licence ("Type 6 Licence"); a cannabis extraction and infusion facility in the state of California; a non-exclusive licence held by TOP to access an extensive database ("Database") of formulations and other associated health attributes to create cannabis-infused products; and the rights to the trademark "Aunt Zelda's™ ("AZ trademark") for 10 years, which is a brand of proprietary, infused topicals and tinctures, which utilize TOP's extracts.

The acquisition-date fair value of the total consideration is as follows:

	Note	USD	CAD
1,115,578 common shares issued		**357,644**	457,892
Contingent consideration payable based on 2019 revenue targets		**1,184,000**	1,515,875
Total consideration	3.IV b)	**1,541,644**	1,973,767
The amounts recognized as of the acquisition date are as follows:			
Cash		**118,143**	151,258
Accounts receivable – fair and gross value, estimate 100% collectible		**23,146**	29,634
Inventory		**132,401**	169,513
Prepaid expenses and deposits		**16,839**	21,559
Plant and equipment	7	**109,996**	140,828
Intangibles – Type 6 Licence	8	**991,000**	1,268,777
Goodwill	3.IV d)	**1,012,771**	1,296,651
Net deferred tax liability	24	**(243,796)**	(312,132)
Accounts payable and accrued liabilities		**(19,845)**	(25,408)
Due to related party		**(6,587)**	(8,433)
Deferred lease inducement liability		**(9,455)**	(12,105)
Note and amounts payable to the Corporation	3.IV e)	**(582,969)**	(746,375)
		1,541,644	1,973,767

b) Consideration including contingent consideration

The total consideration was payable in the Corporation's common shares and was contingent upon performance targets in respect of TOP's calendar year of 2018 and 2019 as follows:

1) In calendar 2018, TOP met 100% of its performance targets and therefore in October 2018, its sole shareholder, a director of the Corporation (at the time), was issued 1,115,178 common shares of the Corporation valued at the 20-day weighted average trading price of the Corporation's share on the acquisition date of October 1, 2018, for total fair value of USD 357,544 (CAD 457,892) The number of common shares was based on deemed maximum consideration of USD 250,000 divided by a fixed price of CAD 0.28 translated at the foreign exchange rate on the same date to USD 0.2242 per share.

2) In calendar 2019, contingent consideration up to a maximum of USD 1,850,000 payable in the Corporation's shares based on prevailing market price, calculated and paid quarterly, subject to meeting a revenue target of USD 10,000,000 in fiscal 2019 ("Earnout"). The contingent consideration amount of USD 1,850,000 is adjusted in proportion to the percentage of meeting the Earnout (subject to maximum of 100%). The range of value of common shares to be issued is USD nil to USD 1,850,000 or CAD nil to CAD 2,368,555 using the USD/CAD exchange rate on the date of acquisition of October 1, 2018. Based on the assigned probabilities of different outcomes, the Corporation recorded contingent consideration payable of USD 1,184,000 (CAD 1,515,875), which assumes achievement of 64% of the Earnout.

   As the number of shares issuable in respect of the contingent consideration was variable, it had been recorded as a liability and was remeasured at each reporting date, with changes recognized in profit or loss until the final share-based consideration is determined. As the Corporation divested of its interest in TOP as described in Note h below, there is nil contingent consideration as at December 31, 2019 (2018 - $1,615,392).

c) Acquisition and divestiture cash flows

In $	**2019**	2018
Cash consideration	**-**	-
Less cash acquired on acquisition	**-**	151,258
Cash divested in divestiture	**(5,655)**	-
Net cash inflow – investing activities	**(5,655)**	151,258

d) Goodwill

The composition of goodwill included knowledge and experience of TOP management in respect of manufacturing cannabis products with industry-leading quality. The goodwill had $nil tax value.

e) Pre-existing arrangements

As a result of the acquisition, a 5% short-term note receivable plus interest receivable thereon, plus a non-interest bearing advance to TOP amounting to USD 631,161 (CAD 860,303) were eliminated on consolidation against the same amounts due from TOP. The interest income and interest expense in respect of the 5% short-term note receivable/payable were eliminated on consolidation effective October 1, 2018. The short-term note payable by TOP was included in the determination of TOP's net assets in the determination of goodwill.

f) Acquisition costs

Acquisition-related costs of $14,776 that were not directly attributable to the issue of shares are included in selling, general and administrative expenses in the statement of loss and comprehensive loss and in operating cash flows in the statement of cash flows for the year ending December 31, 2018.

g) Revenue and loss contribution

TOP contributed revenues of $117,007 and incurred net loss of $129,309 to the group for the period from October 1, 2018 to December 31, 2018. For the period from January 1, 2019 through August 26, 2019 (divestiture date), TOP contributed revenues of $61,176 and incurred net loss of $759,215 to the group.

h) Divestiture

With its acquisition of the cannabis licenses and permits described in Note 8, the manufacturing license owned by TOP became redundant, and therefore, effective August 26, 2019, GABY divested entirely of its 100% interest therein through the termination of the original sales and purchase agreement with the original sole shareholder and former director of GABY, Mara Gordon. Pursuant thereto, 1,115,178 common shares originally issued on the transaction were returned and cancelled; all amounts due to and from GABY and its subsidiaries and TOP were cancelled and forgiven; and any and all obligations to issue additional common shares to Ms. Gordon were terminated. A loss on divestiture of $550,962 was recognized in the statement of loss and comprehensive loss. TOP's results of operations up to the date of separation are included in the licensed operating segment. Accumulated other comprehensive income of $94,525 relating to TOP up to the date of separation has been reclassified out of other comprehensive income to net loss during the year ended December 31, 2019.

The loss on divestiture is comprised of the following:

In $	Note	2019
Cancellation of common shares – original book value	18	**457,892**
Cancellation of contingent consideration		**1,570,221**
Return of consideration		**2,028,113**
Net book value of TOP at time of disposal:		
Intangibles and goodwill	8	**2,657,401**
Plant, property and equipment	7	**640,076**
Other assets and liabilities		**(718,402)**
Total of net book value of TOP		**2,579,075**
		550,962

4) ACCOUNTS RECEIVABLE

In $, Balance comprised of:	2019	2018
Trade accounts receivable	**1,726,816**	313,121
GST receivable	**63,834**	66,298
Other accounts receivable	**303,065**	41,882
Sub-total before allowance	**2,093,715**	421,301
Allowance for doubtful accounts	**(5,514)**	(53,711)
	2,088,201	367,590
Aging of receivables:		
30 days	**869,835**	227,450
60 days	**169,615**	114,085
90 days	**698,817**	12,716
Over 90 days	**355,448**	67,050
	2,093,715	421,301
Exposure by geographic area:		
Canada	**52,544**	130,193
United States	**2,041,171**	291,108
	2,093,715	421,301

Trade accounts receivable bear normal commercial credit terms, usually 30 days or less, and are not interest bearing.

5) INVENTORIES

In $, Balance comprised of:	2019	2018
Raw and semi-finished materials	**124,161**	229,922
Packaging materials	**147,040**	74,805
Finished goods	**1,200,209**	288,044
	1,471,410	592,771

Inventories expensed in cost of sales for the year amounted to $11,885,248 (2018 - $2,191,867). Total write-downs of inventory amounted to $1,262,109 (2018 - $55,976). These amounts resulted from write-offs of inventory that expired, as well as a write-down of inventory (see Note 23) to estimated net realizable value and are included in other expenses as "Loss on inventory write-down".

6) PREPAID EXPENSES AND DEFERRED COSTS

In $, Balance comprised of:	2019	2018
Prepaid expenses	**750,338**	51,146
Product listing fees	**-**	185,113
	750,338	236,259

Of the amounts above, $1,773 is expected to be recovered more than twelve months after the end of the reporting period (2018 - $91,800). Prepaid product listing fees of $134,703 were expensed at year-end and included in Other gains (losses) on the statement of loss and comprehensive loss (see Note 23 a))

7) PROPERTY AND EQUIPMENT

Property and equipment, which includes right-of-use assets, is summarized as follows:

In $	Note	Right-of use assets - facilities	Right-of use assets - equipment	Equipment - finance lease	All other property and equipment	Total
Balance as at December 31, 2017						
Cost		-	-	54,450	687,114	741,564
Accumulated depreciation		-	-	(13,052)	(392,178)	(405,230)
Net book value		-	-	41,398	294,936	336,334
Additions		-	-	145,287	72,748	218,035
Acquired on business acquisition	3	-	-	-	140,828	140,828
Depreciation[1]		-	-	(22,808)	(147,324)	(170,132)
Effect of foreign exchange[2]		-	-	-	8,963	8,963
Balance as at December 31, 2018						
Cost		-	-	199,737	909,916	1,109,653
Accumulated depreciation		-	-	(35,860)	(539,765)	(575,625)
Net book value		-	-	163,877	370,151	534,028
Jan 1, 2019 adoption of IFRS 16	2	851,416	163,877	(163,877)	-	851,416
Additions		5,932,236	-	-	1,106,397	7,038,633
Acquired on business acquisitions	3	695,977	-	-	65,833	761,810
Divestiture	3	(471,757)	-	-	(168,319)	(640,076)
Depreciation[1]		(503,608)	(74,099)	-	(235,645)	(813,352)
Impairment loss		-	(33,199)	-	(256,443)	(289,642)
Effect of foreign exchange[2]		(33,054)	-	-	(24,815)	(57,869)
Balance as at December 31, 2019						
Cost		6,876,295	163,877	-	1,852,539	8,892,711
Accumulated depreciation, impairment losses and foreign exchange		(405,085)	(107,298)	-	(995,380)	(1,507,763)
Net book value		**6,471,210**	**56,579**	**-**	**857,159**	**7,384,948**

[1]**Depreciation recognized was allocated to the following accounts:**	**2019**	2018
Cost of sales	**223,182**	100,019
Inventories	**72,475**	15,683
Depreciation of plant and equipment	**517,695**	54,430
	813,352	170,132

Detail of other property and equipment by type is as follows:

In $	Production equipment	Leasehold improve-ments	Equipment	Vehicles	Signs	Furniture and fixtures	Computer equipment	Total
Balance as at December 31, 2017								
Cost	508,290	31,818	92,452	-	15,947	20,770	17,837	687,114
Accumulated depreciation	(304,557)	(5,025)	(59,329)	-	(6,581)	(10,995)	(5,691)	(392,178)
Net book value	203,733	26,793	33,123	-	9,366	9,775	12,146	294,936
Purchase	-	61,762	3,826	-	-	2,060	5,100	72,748
Acquired on business acquisition	47,456	5,310	-	-	-	88,062	-	140,828
Depreciation	(115,703)	(8,203)	(7,006)	-	(1,873)	(6,950)	(7,589)	(147,324)
Foreign exchange[2]	3,007	337	-	-	-	5,619	-	8,963
Balance as at December 31, 2018								
Cost	558,855	99,238	96,278	-	15,947	116,661	22,937	909,916
Accumulated depreciation	(420,362)	(13,239)	(66,335)	-	(8,454)	(18,095)	(13,280)	(539,765)
Net book value	138,493	85,999	29,943	-	7,493	98,566	9,657	370,151
Purchase	435,666	243,407	8,700	357,759	-	22,993	37,872	1,106,397
Acquired on business acquisition	22,696	11,787	-	28,880	-	1,672	798	65,833
Disposed in business divestiture	(37,115)	(56,344)	-	-	-	(74,860)	-	(168,319)
Depreciation	(110,911)	(39,047)	(14,980)	(34,443)	(1,499)	(17,268)	(17,497)	(235,645)
Impairment loss	(75,879)	(165,206)	-	-	(5,994)	(6,122)	(3,242)	(256,443)
Foreign exchange[2]	(9,605)	(3,943)	-	(8,100)	-	(2,943)	(224)	(24,815)
Balance as at December 31, 2019								
Cost	957,669	287,874	104,978	377,765	15,947	46,979	61,327	1,852,539
Accumulated depreciation and impairment losses	(594,324)	(211,221)	(81,315)	(33,669)	(15,947)	(24,941)	(33,963)	(995,380)
Net book value	**363,345**	**76,653**	**23,663**	**344,096**	**-**	**22,038**	**27,364**	**857,159**

[2]Foreign exchange difference arising on translation of foreign operation into Canadian dollars.

8) INTANGIBLE ASSETS AND GOODWILL

		Definite life intangibles		Indefinite life intangibles (note b)		
In $	Note	**Computer software**	**Website costs**	**Cannabis licenses and permits**	**Goodwill**	**Total**
Balance as at December 31, 2017						
Cost		20,924	28,066	-	-	48,990
Accumulated amortization		(9,760)	(23,946)	-	-	(33,706)
Net book value		11,164	4,120	-	-	15,284
Additions		-	42,918	-	-	42,918
Acquired on business acquisition	3	-	-	1,268,777	1,296,651	2,565,428
Amortization		(6,141)	(9,417)	-	-	(15,558)
Effect of foreign exchange[1]		-	-	83,110	84,460	167,570
Balance as at December 31, 2018						
Cost		20,924	70,984	1,351,887	1,381,111	2,824,906
Accumulated amortization		(15,901)	(33,363)	-	-	(49,264)
Net book value		5,023	37,621	1,351,887	1,381,111	2,775,642
Additions	a)	-	-	591,120	-	591,120
Acquired on business acquisition	3	-	-	2,887,800	10,579,087	13,466,887
Divestiture	3	-	-	(1,314,264)	(1,343,137)	(2,657,401)
Amortization		(2,969)	(13,947)	-	-	(16,916)
Impairment losses	23	(2,054)	(23,674)	(583,380)	(5,900,000)	(6,509,108)
Effect of foreign exchange[1]		-	-	(128,860)	(303,490)	(432,350)
Balance as at December 31, 2019						
Cost		20,924	70,984	3,387,683	10,313,571	13,793,162
Accumulated amortization and impairment losses		(20,924)	(70,984)	(583,380)	(5,900,000)	(6,575,288)
Net book value		**-**	**-**	**2,804,303**	**4,413,571**	**7,217,874**

[1]Foreign exchange difference arising on translation of foreign operation into Canadian dollars.

a) Acquisition of separately acquired intangibles of KJM Data and Research, LLC ("KJM")

On July 25, 2019, GABY acquired 80% of the issued and outstanding member shares of KJM for USD 400,000 ($591,120), and has the right to purchase the remaining 20% of KJM member shares subject to certain licensing milestones and other conditions, in exchange for the grant of a two-year warrant for USD 200,000 worth of GABY common shares at an exercise price to be established at the closing price of GABY common shares one trading day prior to the closing of the remaining 20% purchase ("KJM Future Warrants").

KJM currently has four use permits issued by Sonoma County: manufacturing; cultivation; nursery and distribution. A Provisional State License for Type 6 (non-volatile) manufacturing has been issued by the Bureau of Cannabis Control ("BCC") of the State of California and an application for a cultivation license from the California Department of Food and Agriculture was in process at the time of acquisition.

The foregoing licenses acquired through the member share purchase did not constitute a business combination and the transaction was therefore accounted for as an asset acquisition. The total purchase price of USD 450,000 represented 100% of the ownership interest in KJM, as the transfer of the remaining 20%, while subject to BCC approval, was expected to occur due to the passage of time, and is comprised of USD 400,000 in cash plus USD 50,000 being the fair value attributable to the derivative liability of the KJM Future Warrants (see Note 14). Further, the 20% interest is held in title only and is not entitled to any beneficial rights, including voting and distributions, or obligations thereto, including any possible funding requirements.

Subsequent to December 31, 2019, the KJM licences were abandoned and, accordingly, an impairment loss of the full USD 450,000 attributable to the licenses has been recorded (See Note 23).

b) Carrying amount of intangible assets with indefinite useful lives and goodwill by CGU

Cash generating unit	Note	Indefinite life intangibles	Goodwill	
Unlicensed operating segment:				
Lulu's	i	-	870,380	870,380
2Rise	i	-	525,703	525,703
Licensed operating segment (Sonoma Pac)	ii	2,804,303	3,017,488	7,421,791
		2,804,303	4,413,571	8,817,874

i) Both Lulu's and 2Rise value of goodwill is based on the purchase price paid on December 31, 2019 as detailed in Note 3. The allocation of the purchase price to the underlying assets, including to possible indefinite life intangibles and goodwill, is still subject to final adjustments.

ii) Sonoma Pac's carrying amount of indefinite life intangibles and goodwill is based on fair value less costs of disposal as detailed in Note 23.

9) BANK INDEBTEDNESS

A demand operating loan has been authorized by TD Canada Trust to a maximum of $150,000 (2018 - $150,000), which bears interest at the bank's prime lending rate plus 3.00% per annum and is secured by a general security agreement and an assignment of insurance. The prime rate at December 31, 2019 and December 31, 2018 was 3.95%. No amounts were outstanding under the demand operating loan as of December 31, 2019 and December 31, 2018.

10) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	In $	
Balance comprised of:	**2019**	2018
Trade accounts payable	**2,086,398**	1,171,405
Credit cards payable	**6,462**	7,637
Payroll liabilities	**248,288**	28,900
Accrued liabilities	**918,841**	302,848
Sales, excise, and user taxes payable	**947,023**	-
	4,207,012	1,510,790
Aging of trade accounts payable:		
30 days	**800,686**	356,617
60 days	**468,068**	528,478
90 days	**192,673**	61,695
Over 90 days	**594,971**	224,615
	2,086,398	1,171,405

As of December 31, 2019, trade accounts payable includes $235,199 (December 31, 2018 - $295,211) due to shareholders, key management personnel, and other related entities in respect of services described in Note 11.

11) RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts are owing to or owing from the related parties in respect of the transactions unless otherwise referenced in the table below.

	In $	
	2019	2018
a. Amounts included in Selling, general and administrative expenses:		
Compensation of key management personnel ("KMP")[1]:		
Cash compensation for services provided by separate management entities	**346,205**	430,000
Cash compensation to individuals	**706,518**	39,685
Share-based compensation	**647,075**	226,833
Total compensation of KMP	**1,699,798**	696,518
Other expenses paid on behalf of the Corporation by an entity controlled by a director and officer	**291,429**	185,738
Consulting fees paid to a company controlled by a close family member of a KMP	**45,000**	-
Rent charged by a company controlled by a director and officer	**43,873**	10,565
b. Amounts included in Cost of sales:		
Royalty and licensing fees paid to a company controlled by a close family member of a KMP	**16,868**	7,544
c. Amounts included in Interest expense:		
Interest on convertible debentures to directors and entities controlled by directors	**26,188**	-
Interest on convertible debentures to entity controlled by person related to officer and director of the Corporation	**2,328**	-
Interest paid to a director in respect of short-term promissory notes as described in Note 13	**3,091**	-
Interest paid to an entity controlled by an officer and director in respect of USD promissory note described in Note 13 (USD 5,131)	**6,773**	
Interest on callable debt to shareholders and an entity related by common ownership	**-**	10,119
d. Convertible debentures issued (netted as issue cost of convertible debenture issued at the time):		
Finder's fees paid to a company significantly influenced by a person who is a family member who was a controlling shareholder at the time.	**-**	205,230
285 Compensation Warrants for finder's fees issued to the same company above, in connection with the issuance of convertible debentures and at the time were netted against the convertible debentures.	**-**	47,330

[1] KMP consist of those that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, which includes the most senior executive team (C-suite executives) and the Board.

		In $	
e. Due to or from related parties included in statement of financial position	**Note**	**2019**	2018
Included in Promissory notes payable:			
To directors and entities controlled by directors		**698,693**	-
Included in Convertible debentures:			
To entity controlled by directors		**100,000**	-
Included in Accounts payable and accrued liabilities			
Compensation payable to KMP or their separate management entities		**91,875**	145,867
Other amounts due to KMP		**9,621**	-
Interest payable in respect of c) above		**4,973**	-
Rent payable to a company controlled by an officer and director		**3,839**	3,586
Amounts due on reimbursements of other expenses in a) above		**108,326**	106,442
Consulting fees payable to a company controlled by a close family member of a KMP		**15,750**	-
Royalties and licensing fees payable to a company controlled by a close family member of a KMP		**-**	9,516
f. Advances from (to) related parties, net			
Repayment of related party payables acquired on Sonoma Pac acquisition	3	**(162,026)**	-
Repayment from (advances to) KMP of TOP		**964**	(8,017)
		(161,062)	(8,018)

12) SHORT-TERM NOTES PAYABLE

The Corporation issued or assumed various non-interest-bearing promissory notes in connection with or as a result of the Lulu's acquisition totaling $207,424 (USD 160,000) at December 31, 2019 (2018 – nil). These notes include USD 70,000 (CAD 90,748) that are due in cash on the closing of the next financing transaction undertaken by the Corporation generating proceeds of at least $500,000. The remaining USD 90,000 (CAD 116,676) were settled in shares of the Corporation subsequent to December 31, 2019 (Note 34).

13) PROMISSORY NOTES PAYABLE

		In $	
	Note	**2019**	2018
Due to related parties:			
USD promissory note payable, including interest accrual of $6,758 (USD 5,131)	a	**448,076**	-
Promissory note payable, including interest accrual of $617	b	**250,617**	-
Sub-total of promissory notes payable to related parties		**698,693**	-
Due to others:			
Promissory note payable, including interest accrual of $18,233	c	**468,233**	-

Promissory notes payable, including interest accrual of $46,253	d	**296,253**	**-**
		1,463,179	-

a) The promissory note is for a principal amount of USD 340,500 that is payable on demand to an officer and director of the Corporation. The note accrues interest, which is payable monthly in arrears, at a rate of 10% per annum on the unpaid portion of the principal until the principal is repaid in full. Interest is also due at the same rate on any overdue interest amounts.

b) The promissory note, payable to a director of the Corporation, accrues interest, which is payable monthly in arrears, at a rate of 10% per annum on the unpaid portion of the principal until the principal is repaid in full. The note matures on the earlier of the first business day following the date on which the Corporation receives proceeds of an equity or debt financing in excess of $5 million; and March 31, 2020.

c) The promissory note accrues interest at a rate of 5% per annum compounded annually, has a three-month initial term which ended July 25, 2019, and can be repaid at any time without penalty. As the initial term has ended, the note has been automatically extended and is now payable on demand.

d) Three promissory notes totaling $1,250,000 were issued in May 2019 which accrue interest at a rate of 12% per annum compounded annually and can be repaid at any time without penalty subject to a minimum of 1% interest on the principal. The initial term of the notes has ended, and the remaining notes are now payable on demand. The counterparties of these notes received a loan fee of 3% of the principal, as well as an aggregate total of 312,500 warrants as incentive to issue the notes (see Note 19).

14) DERIVATIVE LIABILITY

In conjunction with the purchase of assets as described in Note 8a, GABY issued the KJM Future Warrants, which is a derivative liability and was initially recognized at its fair value of $65,902 (USD 50,000). Subsequent changes in fair value of the KJM Future Warrants are recognized through profit and loss. The issuance of the KJM Future Warrants was classified as an option liability, as it will be settled through the issuance of a variable number of warrants based on the exchange rate and trading price of GABY's common shares at the time of settlement. At December 31, 2019 the KJM Future Warrants were valued at $54,585 (USD 42,105), resulting in a gain on fair value of derivatives of $10,477 (USD 7,895) for the year ended December 31, 2019 (2018 - $nil). In consideration of events subsequent to December 31, 2019, including the abandonment of the licences purchased to which the future settlement of the derivative liability was tied, the derivative liability was adjusted to $nil at December 31, 2019, the gain being recorded as an offset to the impairment loss recorded on the related licences.

15) CONVERTIBLE DEBENTURES

The following table summarizes the outstanding balance and changes in the amounts recognized in the components of the convertible debentures during the periods:

	In $	
	2019	2018
Beginning balance	**-**	-
Gross proceeds received	**1,550,000**	6,350,000
Issue costs – legal fees and commissions	**(27,893)**	(1,037,080)
Equity component – 650,000 warrants (2018-22,225,000)	**(81,900)**	(57,087)
Equity component – conversion feature	**-**	(45,529)
Liability component initially recognized	**1,440,207**	5,210,304
Repayments	**(892,992)**	-
Interest accretion expense on warrants and legal	**88,040**	605,456
Converted to common shares	**-**	(5,815,760)
Ending balance of convertible debentures	**635,255**	-

a) 2019 convertible debentures

The Corporation received gross proceeds of $1,300,000 from a non-brokered private placement of 1,300 units ("Units") of the Corporation at a price of $1,000 per Unit ("Offering"). Each Unit is comprised of a secured convertible debenture in the principal amount of $1,000 ("Debentures") and 500 common share purchase warrants ("Purchase Warrants") (See Note 18). The Corporation also received gross proceeds of $250,000 from a private placement of 250 Debentures. The Debentures accrue interest at a rate of 15% per annum and mature March 1, 2021. The principal of the Debentures, plus any accrued and unpaid interest thereon, are redeemable by the Corporation and retractable by the holder of the Debenture, at the option of such party, at any time after May 30, 2019 up to and including March 1, 2021. Over that same time period, the holder of the Debenture also has the option to convert the principal amount of the Debentures, plus any accrued and unpaid interest thereon, at the greater of: (i) $0.37; or (ii) the last closing price of the Corporation's common shares. The Debentures are secured by a general security agreement granted by the Corporation.

b) 2018 convertible debentures

A total of 6,350 convertible debentures with a face value of $1,000 and 22,225,000 warrants ("Warrants") (See Note 19) were issued by the Corporation on June 13, 2018 for total gross proceeds of $6,350,000. The convertible debentures were contingently convertible as explained below and would have otherwise matured December 13, 2018 at their face value plus accrued interest a rate of 10% per annum. The convertible debentures were convertible into Class A common shares of the Corporation ("Common Shares") at a price of $0.2857 per Common Share at the holder's option any time up to the maturity date; however pursuant to certain events ("Conversion Event"), one of which occurred on August 28, 2018 with the Corporation's shares being approved for listing on the Canadian Securities Exchange, resulted in the automatic conversion of the convertible debentures into Common Shares at a rate of $0.2857 per Common Share for no additional consideration. Accordingly, the convertible debentures with a face value of $6,350,000 automatically converted into 22,226,092 Common Shares, resulting in a reduction of convertible debentures by $5,815,760 (including interest accretion accruals up to that date); an increase in share capital of $5,861,289 and decrease in contributed surplus of $45,529.

In conjunction with the 2018 issuance, the Corporation also issued 1,076,776 Common Shares, 1,076,776 Warrants and 482 "Compensation Warrants" as compensation to broker and advisory agents ("Brokers' fees"). Each Compensation Warrant entitles the holder thereof to acquire 3,500 Common Shares and 3,500 Warrants for $1,000, or effectively one Common Share and one Warrant at a combined price of $0.2857 per share up to June 13, 2020. As detailed in Note 18, this share-based compensation was valued at $387,680. The Brokers' fees, plus legal, commission and advisory fees of $649,400 paid in connection with the issuance were netted against the convertible debentures and were accreted as interest expense up to August 28, 2018.

c) Fair value of convertible debentures

The convertible debentures were separated into their liability and equity components using the effective interest method. The fair value of the liability component was determined based on an estimated rate of 18.95% (2018 – 13.2%) for convertible debentures without the conversion feature or attached warrants. The fair value of the equity components of the warrants and the conversion feature was determined as the difference between the face value of the convertible debentures and the fair value of the liability component and apportioned to the Warrants and conversion feature based on their relative values using the Black-Scholes option pricing model. However, the conversion feature of the 2019 convertible debentures was determined to have no value and, as such, the equity portion was allocated all to the Purchase Warrants. The fair value was allocated as follows:

	Issue Date	
In $	**March 2019**	June 2018
Convertible debenture fair value	**1,468,100**	6,247,384
Embedded option to convert the liability into equity	**-**	45,529
650,000 Purchase Warrants (2018 – 22,225,000 Warrants)	**81,900**	57,087
Total proceeds received	**1,550,000**	6,350,000

d) Interest expense

Total interest for the year ended December 31, 2019 relating to the convertible debentures, including coupon interest and accretion of issuance costs and debenture discount, is $197,907 (2018 - $605,456).

16) LEASE LIABILITIES

The Corporation is obligated under various lease agreements, which are summarized below. Several of the facilities leases require escalating payments. The current payment as of December 31, 2019 is shown in the summary below, and the future escalating payments are reflected in the estimated future payment tables below. Management has determined that it is reasonably certain that GABY will exercise all options to extend the leases below. Accordingly, the lease terms used to calculate the lease liabilities include the renewal periods where applicable.

			In $	
Finance leases, all secured by asset financed, due:	**Monthly instalments (CAD) including interest**	**Interest**	**2019**	2018
Ontario, Canada production facility				
April 2023	9,821	11.17%	**334,247**	-
California, USA facilities				
June 2026 with extension to June 2031	56,207	11.17%	**5,002,873**	-
May 2022 with extension to May 2025	11,927	11.17%	**649,760**	-
Sept 2022 with extension to Sept 2027	10,026	11.17%	**682,666**	-
			6,335,299	-
Production equipment				
July 2021	2,634	9.00%	**46,487**	72,624
February 2021	1,186	15.90%	**15,067**	25,946
June 2021	587	13.48%	**9,514**	14,874
June 2020	387	8.34%	**2,296**	6,701
September 2020	346	16.93%	**2,904**	6,249
September 2020	296	14.13%	**2,515**	5,482
2019			**-**	5,811
			78,783	137,687
Total lease liabilities			**6,748,329**	137,687
Less current portion			**(406,068)**	(58,600)
Long-term lease liabilities			**6,342,261**	79,087

Estimated payments on finance leases are as follows	In $
2020	**1,144,570**
2021	**1,130,551**
2022	**1,132,814**
2023	**1,068,656**
2024	**1,070,136**
Thereafter	**6,105,895**
Total future minimum lease payments	**11,652,622**
Less amount representing interest	**(4,904,293)**
Finance lease obligations	**6,748,329**

Estimated principal repayments are as follows	
2020	**406,068**
2021	**445,492**
2022	**499,455**
2023	**491,981**
2024	**549,938**
Thereafter	**4,355,395**
	6,748,329

A reconciliation of the balance of lease liabilities for the year 2019 is as follows:

	Note	In $
Recognized at January 1, 2019	2	**1,036,045**
Recognized after January 1, 2019:		
Acquired on business acquisition	3	**733,765**
Additions related to new lease agreements		**5,850,372**
Divestitures	3	**(503,295)**
Total cash outflows for leases		**(1,069,204)**
Initial payments capitalized to right of use assets		**67,167**
Variable lease payments not included in the measurement of lease liabilities		**259,309**
Portion of lease payments allocated to interest expense (2018 - $13,596)		**424,006**
Guarantee fee - GABY warrants		**(15,446)**
Effects of changes in foreign exchange rate		**(34,390)**
Balance at December 31, 2019		**6,748,329**
Less current portion		**(406,068)**
Non-current portion as at December 31, 2019		**6,342,261**

To entice the lessor of the major California facility to approve the lease, GABY paid a lease guarantee fee in warrants to purchase its common shares (Note 18), the fair value of which has been added to the lease liability and included in the lease summary and the future payment schedules.

See Note 7 for information regarding the related right-of-use assets and depreciation of those assets.

17) LONG-TERM DEBT

Long-term debt consists of vehicle finance loans secured by the vehicles financed as follows:

			In $	
Repayable in monthly instalments, including interest of:	**Interest**	**Matures**	**2019**	2018
USD 448	4.9%	Sept 2023	**23,756**	-
USD 875	1.9%	April 2023	**43,924**	-
USD 707	1.9%	April 2023	**35,479**	**-**
USD 743	2.90%	June 2023	**38,446**	-
USD 620	5.24%	Sept 2022	**24,635**	-
USD 1,150	5.24%	Sept 2022	**45,735**	-
USD 1,150	5.24%	Sept 2022	**45,735**	-
			257,710	-
Less: current portion			**(80,118)**	-
			177,592	-

Principal repayments are scheduled as follows:

2020	**80,118**
2021	**83,359**
2022	**75,321**
2023	**18,912**
2024	**-**
	257,710

18) SHARE-BASED PAYMENTS AND SHARE ISSUANCE OBLIGATION

Amounts recognized from share-based payment transactions during the year are as follows:

In $	Note	2019	2018
Share-based payments included in operating expenses:			
Stock option plan employee compensation and consulting fees	18a	**1,048,848**	292,095
Cancellation of options (TOP divestiture)		**(108,182)**	-
Forfeiture of options		**(72,236)**	-
Total expense relating to stock option plan		**868,430**	292,095
Consulting services settled through issuance of warrants	18b	**110,808**	-
Consulting services settled through issuance of shares	18c	**237,386**	511,200
Total share-based payments included in operating expenses		**1,216,624**	803,295
Other expenses:			
Interest expense – accretion of warrants issued with promissory notes		**40,625**	-
Other gains and losses	18c	**-**	341,716
Total share-based expenses included in net loss and comprehensive loss		**1,257,249**	1,145,011
Other share-based payments:			
Share-based compensation offset against convertible debentures	18e	**-**	387,680
Share-based compensation netted against common shares	18c	**250,000**	-
Broker warrants issued, netted against common shares	18d	**927,140**	-
Total share-based payments		**2,434,389**	1,532,691

a. Stock option plan

The Corporation adopted an incentive stock option plan (the "Option Plan") which provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, non-transferable options ("Options") to purchase Common Shares. The purpose of the plan is to advance the interests of the Corporation and its shareholders by attracting, retaining and motivating such directors, officers, employees and consultants and to encourage and enable such persons to acquire and retain a proprietary interest in the Corporation through ownership of Common Shares.

The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance, set aside and made available for issuance under the Option Plan may not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options (including all Options previously granted by the Corporation).

The number of Common Shares which may be reserved in any 12-month period for issuance to any one individual upon exercise of all Options held by that individual may not exceed 5% of the issued and outstanding Common Shares of the Corporation at the time of grant.

The Option Plan is to be administered by the Board, or a committee thereof, either of which has full and final authority with respect to the granting of Options under the Option Plan.

The exercise price of any Options granted under the Option Plan shall be determined by the Board, but may not be less than the market price of the Common Shares on the Exchange on the date of the grant. The term of any Options granted under the Option Plan shall be determined by the Board at the time of grant but provided that the term of any Options may not exceed ten years. Options granted up to December 31, 2019, including the affect of the amendment described below, vest evenly on the anniversary dates from the original grant date at either 33% per year, or 1/3 immediately and two anniversary dates following; and in one case 1/3 immediately and 2/3 in year two. Options are not transferable or assignable, other than by will or other testamentary instrument or pursuant to the laws of succession.

Subject to certain exceptions, if a director or officer ceases to hold office, any Options held by such person will expire 60 days after they cease to hold office. Subject to certain exceptions, if an employee or consultant ceases to act in that capacity in relation to the Corporation, Options held by such person will expire 60 days after they cease to act in that capacity in relation to the Corporation.

Set out below are summaries of options granted under the Corporation stock option plan:

	2019		**2018**	
	Average exercise price per option in $	**Number of options**	**Average exercise price per option in $**	**Number of options**
Opening	**$0.39**	**3,375,000**	-	-
Granted	**$0.43**	**10,315,000**	$0.39	3,375,000
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited / cancelled	**$0.48**	**(1,900,000)**	-	-
Stock option amendment				
Cancellation	**$0.50**	**(5,660,000)**	-	-
Issuance	**$0.27**	**5,660,000**	-	-
Closing	**$0.30**	**11,790,000**	$0.39	3,375,000
Vested and exercisable at period end	**$0.27**	**3,155,000**	$0.36	908,333

In October 2019, stock options originally issued at an exercise price of $0.50 were either cancelled (5,660,000) or forfeited (650,000). Approximately 94% of the options cancelled had remaining lives of over nine years with original vesting evenly over five years and the remaining 6% originally vested over two years and had remaining lives of four to five years. Concurrently, a total of 5,660,000 stock options were issued in place of the cancelled options at an exercise price of $0.27 vesting one third each, immediately and on the first and second anniversary date. Accordingly, the new stock options were treated as amendments where the incremental fair value (if applicable) of the new stock options over the fair value of the cancelled stock options as at the date of cancellation are recognized as an expense over the new vesting period. The fair value of the new options was determined as outlined in the table below (October 2019) and was equal to or less than the fair value of the replaced options determined as at the date of cancellation based on the same assumptions, except for the higher exercise price of $0.50 and longer assumed life of five years. As such, the incremental value was

$nil. Therefore, the remaining original fair value of the cancelled options will be amortized over the revised shorter vesting period.

Share options outstanding at the end of the year have the following range of exercise prices and weighted average remaining contractual life:

	2019		2018	
Exercise price	**Number**	**Weighted average contractual life in years**	**Number**	**Weighted average contractual life in years**
$0.125	**300,000**	**4.89**	-	-
$0.270	**5,890,000**	**4.77**	-	-
$0.286	**1,625,000**	**3.68**	1,775,000	4.68
$0.350	**25,000**	**4.32**	-	-
$0.360	**3,950,000**	**4.60**	-	-
$0.500	**-**	**-**	1,600,000	8.89
	11,790,000	**4.56**	3,375,000	6.68

Fair value of options granted

The options are granted for no consideration. The weighted average fair value of the options granted during year of $0.16 per option (2018- $0.23) was determined using the Black Scholes Model, which takes into account the following inputs:

Grant dates	Exercise price	Share price at measurement date	Average Risk free interest rate[1]	Expected volatility[2]	Expected life in years	Expected dividend yield
January 2019	$0.50	$0.29	1.90%	80%	5	0%
April 2019	$0.35	$0.35	1.53%	80%	5	0%
August 2019	$0.36	$0.36	1.53%	80%	3	0%
October 2019	$0.27	$0.27	1.50%	80%	2	0%
November 2019	$0.125	$0.125	1.52%	80%	2	0%

[1] Based on interest rates of Government of Canada Bonds with similar maturity at the date of grant
[2] Estimated by considering industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The amount included in Share-based compensation and expenses for the year was $868,430 (2018 - $292,095), and is classified as contributed surplus on the Corporation's consolidated statement of financial position. Of the foregoing amounts, $647,075 (Note 11) was in respect of key management personnel for the year (2018 - $226,833).

b. Warrants issued or issuable for services

i. Warrants Subject to No Vesting Conditions

The Corporation enters into agreements for various services for which all or partial consideration is comprised of warrants. As the fair value of the provision of services is difficult to measure, the Corporation measures the fair value of services received or to be received by reference to the fair value of warrants granted using the Black-Scholes Model, which takes into account the assumptions outlined in iii. below.

On August 1, 2019 the Corporation entered into an agreement for investor relations services over a period of one year for consideration of $10,000 per month plus 350,000 warrants each exercisable into one common share at any time up to August 1, 2021. Of these warrants, 175,000 are exercisable at a price of $0.42 per warrant and 175,000 are exercisable at a price of $0.45 per warrant. The fair value of the warrants of $47,250 was recorded as a prepaid expense with a corresponding increase to contributed surplus and is being expensed over 12 months, as the service obligation is contractually required over that period. The resulting expense included in share-based compensation and expenses for year is $19,418 (2018 - $nil).

On August 1, 2019 the Corporation entered into an agreement for consulting services in respect of investing and financing opportunities for the Corporation in exchange for the issuance of 500,000 warrants each exercisable into one common share at any time up to August 1, 2024. The exercise price is $0.38 for 300,000 of the warrants and $0.48 for 200,000 of the warrants. The fair value of the warrants of $71,000 was recorded as share-based compensation and expensed during the year (2018 - $nil) with a corresponding increase in contributed surplus.

On July 2, 2019 the Corporation entered into an agreement for public relations services 12 months of services for a payment of USD 2,000 per month plus 200,000 warrants each exercisable into one common share at any time up to July 2, 2021 at an exercise price of $0.375 per warrant. The fair value of the warrants of $32,000 was recorded as a prepaid expense with a corresponding increase to contributed surplus and is being expensed as the service is used. The resulting expense included in share-based compensation and expenses for year is $16,000 (2018 - $nil).

On July 1, 2019, the Corporation issued a total of 500,000 warrants each exercisable into one common share. The warrants expire July 1, 2024 and vest and are exercisable as outlined in the table below:

Vest	Number of Warrants	Exercise Price	Expected life in years
July 1, 2019	100,000	$0.38	2
July 1, 2020	100,000	$0.50	2
July 1, 2021	100,000	$0.55	2
July 1, 2022	100,000	$0.60	3
July 1, 2023	100,000	$0.65	4
	500,000		

The warrants were issued in lieu of a personal guarantee in respect of a building lease entered into on July 1, 2019 (see Note 16). As the fair value of the personal guarantee is difficult to estimate, the Corporation measured the fair value of the personal guarantees using the Black-Scholes Model with the following inputs for all tranches: Share price at measurement date of $0.39, average risk-free interest rate of 1.39% based on interest rates of Government of Canada Bonds with similar maturities at the date of grant; expected volatility of 80% consistent with assumptions in (a) above, expected dividend yield of 0% and expected life in years as outlined in the table above. The resulting fair value of $77,000 has been included in the calculation of the net present value of the lease asset, of which $30,294 has been recognized as an increase in contributed surplus.

ii. Warrants Subject to Market Vesting Conditions

On April 30, 2019 the Corporation issued a total of 600,000 warrants in five tranches as partial compensation for services from a consultant providing similar services to employees. Accordingly, the Corporation measured the fair value of service received by reference to the fair value of the warrants granted determined using the Black-Scholes Model which takes into account the inputs in iii. below for all tranches, as well as the probability of attaining the market performance condition ("**Market Probability**") as outlined below.

Each warrant has a three-year life and is exercisable into one common share for $0.50 per warrant upon the common shares reaching varying targets of volume weighted average price over 20 consecutive days (**"Target VWAP")** as outlined in the table below.

Number of Warrants	Target VWAP	Expected life in years	Market Probability
100,000	$0.75	2	36%
100,000	$1.00	3	4%
100,000	$1.25	3	0%
150,000	$1.50	3	0%
150,000	$1.75	3	0%
600,000			

The resulting amount included in operating expenses for the consultant's services for the year is $4,120 (2018 - $nil).

iii. Fair value of warrants granted

The weighted average fair value of the warrants granted during 2019 was $0.06 per Warrant based on the assumptions outlined in Note 19 b. The weighted average fair value of the warrants granted during 2018 was $0.0416 per Warrant based on the following assumptions:

i) Weighted average share price of $0.2478 at the measurement date
ii) Expected volatility of 49% estimated by considering industry share price volatility adjusted to consider that the Corporation's common shares were not traded publicly at the measurement date.
iii) Risk-free interest rate of 1.75% based on interest rate on two-year Government of Canada bonds
iv) Expected life of two years
v) Expected dividend yield of 0%
vi) Assumed no Conversion Event such that the Warrants entitled holder to acquire 1.1 Common Shares per Warrant.

c. Shares issued for services

		2019		2018	
Shares issued in respect of:		**Number**	**$**	**Number**	**$**
Private placement as described Note 19	i	**833,333**	**250,000**	-	-
To settle share issuance obligation at Dec 31, 2018	ii	**1,383,800**	**511,200**	-	-
Advisory services - corporate	iii	**1,351,351**	**500,000**	-	-
Advisory services – product development	iv	**140,000**	**13,300**	-	-
Consulting services	v	**157,500**	**15,750**	-	-
Contract termination payment	vi	-	-	1,400,070	341,716
Total common shares issued		**3,865,984**	**1,290,250**	1,400,070	341,716

i) In May 2019, the Corporation entered into an arrangement for a consultant to provide services directly in respect of the private placement as described in Note 19. In exchange for the services, the Corporation agreed to issue 833,333 common shares to the consultant. As the fair value of the services cannot be estimated reliably, the Corporation measured the fair value of the services based on the fair value of the common shares on the date that the agreement was entered into. The resulting amount of $250,000 was recorded as a share issuance obligation in shareholders' equity, as the amount of shares issuable pursuant to the agreement was fixed, and a corresponding amount was reflected as a deduction from the proceeds of common shares issued pursuant to the private placement. Upon issuance of the 833,333 common shares in September 2019, the share issuance obligation was relieved by $250,000 and a corresponding amount was recorded as share capital.

ii) On January 21, 2019 the Corporation issued 1,383,800 common shares to settle the share issuance obligation of $511,200 in respect of marketing expenses of $45,000 and consulting expenses of $466,200, included in 2018 share-based compensation and expenses. The advertising expense was determined in reference to the fair value of marketing services provided and approximated the fair value of the 123,800 shares issued to the party on January 21, 2019. The fair value of the consulting services was considered to be the fair value of the 1,260,000 common shares issued to the parties on January 21, 2019.

iii) On August 1, 2019 the Corporation entered into an agreement for a consultant to provide advisory services in respect of strategic growth and development of the Corporation for a period of one year for $500,000 payable by the issuance of 1,351,351 common shares which are subject to release from escrow in four equal quarterly instalments as services are received. The Corporation recorded a prepaid expense of $291,667 and share-based compensation expense of $208,336 (2018-$nil for both).

iv) A consultant agreed to provide scientific advisory services for fiscal 2019 in return for the issuance of 140,000 common shares, which were issued in December 2019. The Corporation has recorded share-based compensation expense of $13,300 for the year with respect to this agreement based on the GABY share price on the date of issuance (2018-$nil).

v) A consultant agreed to receive payment for a monthly consulting fee in shares rather than cash. The consultant was issued 157,500 shares as payment, based on the GABY share price on the date of issuance of $0.10 per share.

vi) On June 30, 2018, the Stem for Life Foundation ("SFL") was issued 1,400,070 Common Shares of the Corporation in exchange for terminating a sponsorship agreement with the Corporation. Under the sponsorship agreement, the Corporation received certain sponsorship and promotional rights and opportunities provided by SFL, in exchange for a future donation should the Corporation undergo a form of liquidity event as defined in the agreement, with such amount determined in varying amounts depending on the value of the Corporation. Due to the unique nature of the contract and given that the promotional services received are difficult to fair value, the fair value of the payment was determined in reference to the fair value of the 1,400,700 Common Shares issued at $0.24 per share based on the aforementioned share issuances during 2018, for a total of $341,716, included in Other gains and losses on the statement of loss and comprehensive loss for the year 2018 (2019 - $nil).

d. Broker warrants issued with 2019 private equity placement

In conjunction with the private equity capital raise of $20 million in June 2019, the Corporation issued 4,522,634 broker warrants as compensation to the broker agents engaged for the offering ("Broker Warrants"). Each Broker Warrant entitles the holder to acquire one Common Share and one half-warrant at a combined price of $0.30 for a period of 24 months following the closing date of June 19, 2019. Each whole warrant acquired through exercise of the Broker Warrants entitles the holder to acquire one Common Share at a price of $0.38 per share for a period of 24 months from the date of issuance of the warrant.

The fair value of the Broker Warrants was estimated on the date of grant using the following assumptions:

i) Share price of $0.42 at the measurement date
ii) Expected volatility of 80%
iii) Risk-free interest rate of 1.49% based on interest rate on two-year Government of Canada bonds
iv) Expected life of 0.5 years
v) Expected dividend yield of 0%

e. Shares, Warrants, and Compensation Warrants issued with 2018 convertible debentures

In conjunction with the convertible debenture offering (see Note 15), the Corporation issued 1,076,776 Common Shares, 1,076,776 Warrants and 482 Compensation Warrants as compensation to the broker and advisory agents engaged for the offering. Each Compensation Warrant entitles the holder thereof to acquire 3,500 Common Shares and 3,500 Warrants for $1,000, or effectively one Common Share and one Warrant at a combined price of $0.2857 per share up to June 13, 2020. The aggregate fair value of this share-based payment was determined to be $387,680 based on an estimated fair value of $875,000 for broker and advisory fees customarily paid on an offering of comparable size less cash consideration paid of $487,320. The fair value of the share-based payment was apportioned as $262,794 for the 1,076,776 Common Shares, $44,841 for the 1,076,776 Warrants and the residual amount of $80,045 to the 482 Compensation Warrants. The combined fair value of the Common Shares and Warrants was based on the Common Shares and Warrants issued April 23, 2018 and June 13, 2018 (see Note 19), at a cash cost or value of $0.2857 for one Common Share and one Warrant, with $0.0416 of fair value being attributable to the Warrant based on the Black-Scholes option pricing model. As described in Note 15, the foregoing amounts were recorded against the value of the convertible debentures and were accreted as interest expense up to August 28, 2018.

The fair value of the Warrants granted during 2018 was estimated on the date of grant using the following assumptions:

i) Weighted average share price of $0.2478 at the measurement date
ii) Expected volatility of 49% estimated by considering industry share price volatility adjusted to consider that Corporation's common shares were not traded publicly at the measurement date.
iii) Risk-free interest rate of 1.75% based on interest rate on two-year Government of Canada bonds
iv) Expected life of two years
v) Expected dividend yield of 0%
vi) Assumed no Conversion Event such that the Warrants entitled holder to acquire 1.1 Common Shares per Warrant.

The weighed average fair value of the warrants granted during 2018 was $0.0416.

19) SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized share capital – unlimited number of shares without nominal or par value:

Unlimited number of Class A common voting shares

Unlimited number of Class B non-voting, retractable, redeemable, preferred shares, issuable in series

A reconciliation of the Corporation's Common shares and Contributed surplus is as follows:

	Share Capital		Contributed Surplus						
	Class A common voting shares		Warrants[b]		Special Warrants[c]	Conv-ersion feature deben-tures	Stock option plan	Total	Total transaction
	Number	$	Number	$	$	$	$	$	$
Opening January 1, 2018[a]	**45,310,370**	**6,544,097**	**-**	**-**	**-**	**-**	**-**	**-**	**6,544,097**
Issued with application of Subscription Liability Proceeds	2,360,796	576,199	2,360,796	98,313	-	-	-	98,313	674,512
Issued on callable debt and due to related party balance conversion	16,781,501	4,095,883	16,781,501	698,822	-	-	-	698,822	4,794,705
Issued with convertible debentures	-	-	22,225,000	57,087	-	45,529	-	102,616	102,616
Debenture conversion	22,226,092	5,861,289	-	-	-	(45,529)	-	(45,529)	5,815,760
Issued to agents on convertible debenture issue	1,076,776	262,794	1,076,776	44,841	80,045	-	-	124,886	387,680
Issued to SFL (Note 18c)	1,400,070	341,716	-	-	-	-	-	-	341,716
Warrant exercise	210,000	78,240	(210,000)	(540)	-	-	-	(540)	77,700
Issued on business acquisition	1,115,178	457,892	-	-	-	-	-	-	457,892
Stock option plan expense	-	-	-	-	-	-	292,095	292,095	292,095
Closing, Dec 31, 2018	**90,480,783**	**18,218,110**	**42,234,073**	**898,523**	**80,045**	**-**	**292,095**	**1,270,663**	**19,488,773**
Settlement of share-issuance obligations (Note 18c)	1,383,800	511,200	-	-	-	-	-	-	511,200
Issuance of Units (Note 19d)	66,583,400	17,977,518	33,291,693	1,997,502	-	-	-	1,997,502	19,975,020
Issuance of shares to director from treasury	2,232,143	250,000	-	-	-	-	-	-	250,000
Equity issuance costs (Note 19e)	-	(2,205,885)	-	-	927,140	-	-	927,140	(1,278,745)
Stock option expense (Note 18a)	-	-	-	-	-	-	976,612	976,612	976,612
Issuance of warrants attached to convertible debentures (Note 15)	-	-	650,000	81,900	-	-	-	81,900	81,900
Issuance of warrants attached to promissory notes (Note 13)	-	-	312,500	40,625	-	-	-	40,625	40,625
Issued on business acquisitions (Note 3)	43,146,193	7,780,138	500,000	5,000	-	-	-	5,000	7,785,138
Returned to treasury / cancelled (Note 3)	(1,115,178)	(457,892)	-	-	-	-	(108,182)	(108,182)	(566,074)
Warrant exercise	565,000	210,501	(565,000)	(1,451)	-	-	-	(1,451)	209,050
Compensation warrant exercise	17,500	5,785	17,500	45	(830)	-	-	(785)	5,000
Share-based compensation (Note 18)	2,482,184	779,050	2,150,000	184,664	-	-	-	184,664	963,714
Closing Dec 31, 2019	**205,775,825**	**43,068,525**	**78,590,766**	**3,206,808**	**1,006,355**	**-**	**1,160,525**	**5,373,688**	**48,442,213**

a. Class A common voting shares stock split

On April 18, 2018, the shareholders of the Corporation authorized a 7-for-1 stock split of the Corporation's Common Shares. All shares and loss per share information have been retroactively adjusted to reflect the increase in the number of common shares and SARs (Note 32) from the stock split.

b. Warrants

Set out below are summaries of warrants granted by the Corporation:

	2019		2018	
	Average exercise price per warrant in $	Number of warrants	Average exercise price per warrant in	Number of warrants
Opening[1]	**$0.37**	**42,234,073**	-	-
Granted[2]	**$0.39**	**36,904,193**	$0.37	42,444,073
Issued on compensation warrants	**$0.37**	**17,500**	-	-
Exercised	**($0.37)**	**(565,000)**	$0.37	(210,000)
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Closing	**$0.38**	**78,590,766**	$0.37	42,234,073
Vested and exercisable at period end	**$0.38**	**77,590,766**	$0.37	42,234,073

Warrants outstanding as at the end of the year have the following range of exercise prices and weighted average remaining contractual lives:

	2019		2018	
Exercise price	Number	Weighted average contractual life in years	Number	Weighted average contractual life in years
$0.37	**42,336,573**	**0.67[1]**	42,234,073	1.66
$0.375 - 0.38	**34,204,193**	**1.51**	-	-
$0.42 - $0.65	**2,050,000**	**2.77[2]**	-	-
	78,590,766	**1.09**	42,234,073	1.66

[1] The Corporation may accelerate the expiry date of 41,686,573 of the warrants exercisable at $0.37 per common share upon 30 days written notice to the holders.
[2] See Note 18 for market vesting conditions for 600,000 warrants exercisable at $0.50 and for the vesting schedule of 500,000 warrants vesting in tranches (100,000 of which have already vested at December 31, 2019).

The fair value assigned to the warrants issued during the year as outlined in the table above were determined using the Black Scholes Model which takes into account the following inputs:

Grant date	Exercise Price	Share price at measurement date	Average risk free interest rate[1]	Expected volatility[2]	Expected life in years	Expected dividend yield
March & May, 2019	$0.37	$0.325 - $0.35	1.50%	80%	2	0%
April 2019[3]	$0.50	$0.32	1.49%	80%	2 - 3	0%
June 2019	$0.38	$0.42	1.49%	80%	0.5	0%
July 2019	$0.375 $0.65	$0.375	1.42%	80%	2 - 5	0%
August 2019	$0.38 - $0.48	$0.36	1.50%	80%	2 - 5	0%
December 2019	$0.45	$0.095	1.50%	80%	2	0%

[1] Based on interest rates of Government of Canada Bonds with similar maturity at the date of grant
[2] Estimated using a 50% weighting towards GABY's actual stock volatility over a period of less than one year and a 50% weighting of a composite of comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome.
[3] In addition, assumes probability of exercise based on meeting market vesting conditions as outlined in Note 18b ranging from 0% to 36%

c. Special Warrants

The Corporation from time to time issues instruments exercisable for the purchase of Common Shares and Warrants for the purpose of compensating brokers or agents in connection with financing transactions, which are referred to above as Special Warrants. The balance included in Special Warrants is comprised of Compensation Warrants and Broker Warrants as follows:

		2019		2018	
		#	$	#	$
Compensation Warrants	i.	**477**	**79,215**	482	80,045
Broker Warrants	ii.	**4,522,634**	**927,140**	-	-
Special Warrants			**1,006,355**		80,045

i. Compensation Warrants

Each Compensation Warrant entitles the holder thereof to acquire 3,500 Common Shares and 3,500 Warrants at a price of $1,000, or effectively one Common Share and one Warrant at a combined price of $0.2857 per share up to June 13, 2020. The Warrants issuable pursuant to the exercise are subject to the same conditions and terms of the Warrants described above.

Set out below are summaries of Compensation Warrants granted by the Corporation:

	2019		2018	
	Average exercise price in $	Number of Compensation Warrants	Average exercise price in $	Number of Compensation Warrants
Opening	**$1,000**	**482**	-	-
Granted	**-**	**-**	$1,000	482
Exercised	**$1,000**	**(5)**	-	-
Expired	**-**	**-**	-	-
Closing and vested at period end	**$1,000**	**477**	$1,000	482
Weighted average remaining life in years	**0.45**		1.45	

ii. Broker Warrants

Each Broker Warrant entitles the holder to acquire one Common Share and one half-warrant at a combined price of $0.30 for a period of 24 months following the closing date of June 19, 2019. Each whole warrant acquired through exercise of the Broker Warrants entitles the holder to acquire one Common Share at a price of $0.38 per share for a period of 24 months from the date of issuance of the warrant.

Set out below are summaries of Compensation Warrants granted by the Corporation:

	2019		2018	
	Average exercise price in $	Number of Broker Warrants	Average exercise price in $	Number of Broker Warrants
Opening	**-**	**-**	-	-
Granted	**$0.30**	**4,522,634**	-	-
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Closing and vested at period end	**$0.30**	**4,522,634**	**-**	**-**
Weighted average remaining life in years	**1.45**		n/a	

d. Private Placement

On June 12, 2019 the Corporation completed a private placement for gross proceeds of $19,975,020 through the issuance of 66,583,400 units of the Company ("PP Units"). Each PP Unit consists of one common share and one-half warrant. Each whole warrant is exercisable into one common share at an exercise price of $0.38 per share up to June 12, 2021, provided, however, that if, before December 12, 2019, the VWAP of the Corporation's common shares is equal to or great than $0.55 for any five consecutive trading-day period, the Corporation may upon 30 days written notice to the holders,

accelerate the expiry date of the warrants. The Corporation allocated the proceeds between the common shares and warrants based on the relative fair value of the common shares on the date of issue.

e. Share issue costs

The Corporation incurred share issue costs of $5,093 in legal fees in respect of the 1,383,000 common shares issued to settle a share issuance obligation and $1,273,652 in respect of the PP Units comprised of legal fees and commission of $1,023,652, plus share-based compensation for services of $250,000 as described in Note 18c. Further, the Corporation issued Broker Units (see Note 18d) with fair value of $927,140 that were recorded as share issue costs.

f. Equity line of credit

Effective April 2, 2019, the Corporation signed a term sheet that would give it the right, but not the obligation, to issue up to USD 10,000,000 of its common shares to an investor ("Investor") over the course of one year ending April 2, 2020 ("Equity LOC").

20) DIRECT INVENTORY COSTS

In $	**2019**	2018
Balance comprised of:		
Salaries and benefits	**1,720,857**	511,399
Direct material	**8,459,336**	814,648
Other direct costs	**373,449**	14,913
	10,553,642	1,340,960

21) ALLOCATED INDIRECT COSTS

In $	**2019**	2018
Balance comprised of:		
Employee salaries, wages and benefits	**193,550**	203,472
Production facility costs	**631,606**	200,485
Depreciation of production equipment	**154,314**	100,019
Other overhead costs	**159,376**	142,735
	1,138,846	646,711

22) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In $	2019	2018
Balance comprised of:		
Employee salaries and benefits	**4,920,196**	1,474,652
Consulting fees	**2,119,487**	960,483
Administrative costs	**3,125,571**	1,041,679
Advertising and promotion	**711,585**	312,383
Selling costs	**609,949**	357,859
Professional fees	**1,301,413**	877,482
	12,788,201	5,024,538

23) OTHER GAINS (LOSSES)

In $	Note	2019	2018
Balance comprised of:			
Foreign exchange gain (loss)		**97,996**	(173,504)
Loss on divestiture	3	**(550,962)**	-
Fair value gain on derivative liability	14	**10,477**	-
Gain on contingent consideration liability	3	**2,100,000**	-
Gain on conversion of debt		**-**	72,126
Contract termination payment	18c	**-**	(341,716)
Loss on inventory write-down	5	**(1,262,109)**	(55,976)
Impairment losses		**(6,878,868)**	-
Penalties and interest on past-due taxes		**(416,339)**	-
		(6,899,805)	(499,070)

The impairment loss is comprised of the following:

In $	Unlicensed	Licensed			Total
Cash generating unit	**GK** (note a)	**KJM** (note b)	**Sonoma Pac** (note c))	**Sub-total Licensed**	
Class of asset (liability)					
Prepaid expenses and deferred costs	**134,703**		**-**	**-**	**134,703**
Property and equipment	**128,995**	**160,647**	**-**	**160,647**	**289,642**
Intangible assets	**25,728**	**583,380**	**-**	**583,380**	**609,108**
Goodwill	**-**	**-**	**5,900,000**	**5,900,000**	**5,900,000**
Derivative liability	**-**	**(54,585)**	**-**	**(54,585)**	**(54,585)**
	289,426	**689,442**	**5,900,000**	**4,989,442**	**6,878,868**

a) Impairment loss – GK

The impairment loss of $289,426 in the unlicensed segment is in respect of a CGU operating under the name of Gabriella's Kitchen ("**GK**"), which manufactured health food products in Canada and distributed and marketed in Canada and the USA.

As a result of past and future losses in respect of GK led the Corporation to record an impairment loss and in March 2020 it shuttered GK's operations. The recoverable amount of the assets being property and equipment is $444,369 which is fair value less costs of disposal classified as follows:

In $	Note		Total
Fair value measurements			
Level 1 inputs based on actual sales price received			**57,543**
Level 1 inputs based on value of underlying lease obligation that Corporation was able to terminate on return of assets or vacating of premises			**373,826**
Level 2 inputs based on actual sales price received on similar assets received above	i		**13,000**
			444,369

i) The fair value assumes that the Corporation would receive similar proceeds on the sale of similar manufacturing. If the Corporation is unable to find a buyer, it may have to abandon these assets and the carrying amount would exceed the recoverable amount by $13,000.

b) Impairment loss – KJM

The impairment loss of $689,442 in respect of the KJM is a CGU comprised of the cultivation and manufacturing licenses acquired from KJM as described in Note 8, as well as property and equipment acquired to use in conjunction with the licenses, including the acquisition of leased premises which are tied to the licenses. Subsequent to the acquisition of KJM, the assets' value declined by year-end and it was determined that GABY would not be able to execute manufacturing and cultivation as originally planned with limited liquidity and the financial burden of the lease. This was verified subsequent to year end as GABY deemed that the lease was invalid and therefore void and GABY vacated the premises in April 2020.

The recoverable amount of the assets is $65,436 based on fair value less costs of disposal using Level 1 inputs based on actual sales price received. As the licences are tied to the premises, the values assigned thereto were written down to $nil.

c) Impairment loss – Sonoma Pac

The impairment loss of $5,900,000 in respect of Sonoma Pac is a CGU comprised of the business operations of cannabis distribution business acquired April 1, 2019 as described in Note 3. As a result of set-backs caused by the fires in Sonoma County and resulting delays in financing, the Corporation was not able to implement its growth strategy. This plus a general decline in the cannabis industry in California resulted in the Corporation forecasting a reduction and delay of it's anticipate growth of cash flows and the resulting impairment of goodwill of $5,900,000 (USD 4,551,064). The recoverable

amount of Sonoma Pac is $5,890,998 (USD 4,551,064) determined by its fair value less costs of disposal being the present value of future cash flows expected to be derived from Sonoma Pac.

The key assumptions used in the calculation of the recoverable amount relate to the cash flows and growth projections, future weighted average cost of capital and, terminal growth rate. These key assumptions were based on historical data from historical sources as well as industry and market trends. The Corporation estimated the recoverable amount of CGU based on discounted cash flows of six years and a terminal year thereafter and incorporated assumptions an independent market participant would apply. The after-tax discount rate used was 25% and perpetual growth rate used was 2%.

The assumptions used above are considered significant estimates, which the impact of possible changes thereto are as follows:

If the budgeted earnings before interest, taxes, depreciation and amortization had been 5% lower than management's estimates at December 31, 2019, the Corporation would have had to recognize a further impairment to goodwill of $777,000. If the after-tax discount rate applied to the cash flow projections had been 1% higher than management's estimates or 26%, the Corporation would have had to recognize a further impairment to goodwill of $389,000. If the perpetual growth rate had been 0% instead of 2%, the Corporation would have had to recognize a further impairment to goodwill of $260,000.

24) INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	In $	
	2019	2018
Loss for the year before income taxes	**(23,115,784)**	(7,720,514)
Expected income tax (recovery)	**(6,125,683)**	(2,084,539)
Change in statutory, foreign tax, foreign exchange rates and other	**390,191**	11,446
Non-deductible expenses	**2,212,000**	385,000
Non-deductible expenses of foreign subsidiary	**-**	118,000
Share issue costs	**(339,000)**	(246,000)
Change in unrecognized deductible temporary differences	**3,535,117**	1,816,093
Total income tax expense (recovery)	**(327,375)**	-
Current income tax expense	**22,280**	-
Deferred income tax recovery	**(349,655)**	-

For Canadian income tax purposes, the Corporation has losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

Expiry	Balance	Expiry	Balance
2026	**15,105**	2033	**895,431**
2027	**27,748**	2034	**288,500**
2028	**89,553**	2035	**2,580,737**
2029	**-**	2036	**2,851,694**
2030	**350**	2037	**3,370,176**
2031	**145,291**	2038	**6,110,466**
2032	**119,422**	2039	**8,241,688**
		Total	**24,736,161**

The Corporation also has a capital loss of $1,597,263 which carries forward indefinitely to offset future capital gains.

In addition to the losses carried forward presented above, the Corporation has losses for United States federal income tax purposes of USD 4,755,956 (CAD 6,165,622) which carry forward indefinitely, losses for California state income tax purposes of USD 6,202,795 (CAD 8,041,303) which expire in 2038-2039, and losses for Delaware state income tax purposes of USD 3,320,102 (CAD 4,304,181) which expire in 2038-2039.

The Corporation's net deferred income tax liabilities are as follows:

	In $	
	2019	2018
Deferred tax assets:		
Losses available for offset against future taxable income	**8,173,937**	4,421,000
Expenses deducted over future periods for tax purposes	**561,543**	324,415
	8,735,480	4,745,415
Unrecognized deferred tax assets	**(8,188,219)**	(4,653,102)
Deferred tax assets available for offset against liabilities	**547,261**	92,313
Deferred tax liabilities:		
Intangibles assets	**836,802**	378,300
Property and equipment	**57,653**	46,613
Deferred tax liabilities	**894,455**	424,913
Net deferred income tax liabilities	**347,194**	332,600

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Corporation does not yet have a history of profitability or other supporting evidence of future profitability to support the recognition of deferred tax assets in excess of deferred tax liabilities. Accordingly, the net deferred tax assets by jurisdiction are offset by a valuation allowance, which is re-evaluated at the end of each reporting period.

25) LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the year. The potentially dilutive Common Shares issuable on the outstanding Warrants, Compensation Warrants, Broker Warrants, and Stock Options are non-dilutive and are therefore excluded from the diluted loss per share for the periods in which they were outstanding. The weighted average numbers of shares outstanding for the year was 144,562,707 (2018 – 65,164,311).

26) OTHER ADJUSTMENTS TO ARRIVE AT CASH FLOW FROM OPERATIONS

In $	Note	2019	2018
Balance comprised of:			
Impairment losses	23	**6,878,868**	-
Increase in deferred lease inducement	2	**-**	3,258
Loss on divestiture	3	**550,962**	-
Fair value gain on derivative liability	14	**(10,477)**	-
Gain on contingent consideration liability	3	**(2,100,000)**	-
Gain on conversion of debt		**-**	(72,126)
		5,319,353	(68,868)

27) NET CHANGE IN NON-CASH WORKING CAPITAL RELATED TO OPERATIONS

In $	2019	2018
Balance comprised of:		
Accounts receivable	**6,943,707**	16,471
Inventories	**365,180**	(242,414)
Prepaids and deferred costs	**(89,829)**	10,736
Accounts payable and accrued liabilities	**(9,321,027)**	731,027
Income taxes payable	**(86,100)**	-
	(2,188,069)	515,820

28) NON-CASH TRANSACTIONS AND CASH FLOW DISCLOSURES

Non-cash transactions took place during the years as follows:

	In $	2019	2018
1	Lease capitalization		
	Increase in lease liability (2018 – finance lease obligation)	**5,849,326**	136,082
	Increase in right-of-use assets (2018 – assets under finance lease)	**5,849,326**	136,082
2	Issuance of shares and warrants previously paid for / earned:		
	Decrease in share issuance obligation	**511,200**	-
	Decrease in share issuance liability	**-**	239,500
	Increase in share capital	**511,200**	145,980
	Increase in contributed surplus	**-**	93,520
3	Issuance of Broker Units		
	Increase in contributed surplus	**927,140**	-
	Decrease in share capital	**927,140**	-
4	Shares for services		
	Increase in share issuance obligation	**250,000**	-
	Decrease in share capital	**250,000**	-
5	Direct financing of capital assets		
	Increase in long-term debt	**270,229**	-
	Increase in capital assets	**270,229**	-
6	Conversion of callable debt to share capital and warrants:		
	Decrease in callable debt	**-**	4,866,832
	Increase in share capital	**-**	4,095,883
	Increase in contributed surplus	**-**	698,823
	Recognition of gain on conversion of debt	**-**	72,126
7	Deferred convertible debenture costs of issuance not paid in cash:		
	Decrease in convertible debentures	**-**	387,680
	Increase in share capital	**-**	262,794
	Increase in contributed surplus	**-**	124,886
8	Conversion of convertible debentures:		
	Decrease in convertible debentures	**-**	5,815,760
	Increase in share capital	**-**	5,861,289
	Decrease in contributed surplus	**-**	45,529

	In $	2019	2018
9	Purchase of intangible assets – non-cash portion		
	Increase in intangible assets	**78,816**	-
	Increase in accounts payable and accrued liabilities	**78,816**	-
10	Business acquisitions		
	Increase in share capital	**5,960,138**	457,892
	Increase in contributed surplus	**5,000**	-
	Increase in contingent consideration payable	**3,920,000**	1,515,875
	Increase in short-term loans payable	**136,122**	-
	Increase in accrued liabilities (relating to consideration payable)	**7,327**	-
	Increase in consolidated assets (other than goodwill)	**14,205,313**	1,781,569
	Increase in consolidated liabilities	**14,755,813**	1,104,453
	Increase in goodwill	**10,579,087**	1,296,651
11	Business divestiture		
	Decrease in share capital	**457,892**	-
	Decrease in contingent consideration payable	**1,570,221**	-
	Decrease in consolidated assets (other than goodwill)	**2,078,374**	-
	Decrease in consolidated liabilities	**769,786**	-
	Decrease in goodwill	**1,343,137**	-
	Decrease in accumulated other comprehensive income	**94,525**	-
	Increase in foreign exchange gain	**21,875**	-
	Loss on divestiture	**550,962**	-
12	Settlement of contingent consideration payable		
	Increase in share capital	**1,820,000**	-
	Decrease in contingent consideration payable	**3,920,000**	-
	Contingent consideration gain	**2,100,000**	-

The Corporation paid income taxes of $85,511 during 2019 (2018 - $nil). Interest paid is disclosed in the consolidated statements of cash flows.

29) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's current financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, short-term notes payable, promissory notes payable, and convertible debentures and are measured at amortized cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. The Corporation's non-current financial instruments include lease liabilities and long-term debt, which are measured at amortized cost.

The Corporation's activities are exposed to a variety of financial risks, including price risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Corporation is exposed to the following risks in respect of certain of the financial instruments held:

(a) Interest rate risk

The Corporation's exposure to interest rate fluctuations is with respect to the use of its bank revolving credits which bears interest at floating rates. The rates are tied to the prime rate of interest. Rate changes are likely to be minimal. A 1.00% change in interest rates would have changed annual interest expense by approximately $1,500. At December 31, 2019 $nil was outstanding on the line of credit.

(b) Credit risk

The Corporation is exposed to credit risk in the event of non-performance by customers. The maximum credit risk is the fair value of the accounts receivable. The allowance for doubtful accounts and past due receivables is reviewed by management for each reporting period. The Corporation updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into account historic collection trends, the contractual relationship with the customer and the nature of the customer. Management does not believe that it has significant credit risk associated with its customers as the concentration is more spread with the acquisition of Sonoma Pac; however, COVID-19 has caused significant economic uncertainty and consequently collection of receivables will likely take longer to collect and is subject to further uncertainty. See Note 4 for detail of the Corporation's exposure to credit risk for trade receivables by aging of the accounts and by geographic area.

Accounts receivable from two major customers amounted to 34% of gross trade accounts receivable as at December 31, 2019 (2018 – three major customers amounted to 84%).

(c) Foreign currency risk

The Corporation conducts most of its operations in United States dollars. As at December 31, 2019, the following operational working capital balances denominated in US dollars were included in the Financial Statements.

	Receivable (Payable)	
	USD	CAD equivalent
Cash	**413,357**	535,876
Accounts receivable	**1,567,993**	2,032,746
Total current assets	**1,981,350**	2,568,622
Accounts payable and accrued liabilities	**(2,306,782)**	(2,990,456)
Income taxes payable	**(37,295)**	(48,349)
Net exposure	**(362,727)**	(470,183)

In addition to the balances above, the Corporation has foreign exchange exposure with regards to short-term debt, promissory notes, lease liabilities, and long-term debt totaling USD 5,519,266 (CAD 7,248,507). As at December 31, 2019, each one cent strengthening (weakening) in the USD relative to the CAD would decrease (increase) the Corporation's comprehensive loss by about $59,000. The Corporation's net exposure to foreign currency risk has not been hedged.

(d) Other price risk

The Corporation's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit lines. The Corporation's accounts payable and accrued liabilities, income taxes payable, short-term notes payable, and current portions of lease liabilities and long-term debt are due within one year. The degree to which the Corporation is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to improve cash flows from operations.

The Corporation manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 29. It also manages liquidity risk by continuously monitoring actual cash flows.

GABY continued to incur operating losses beyond December 31, 2019 funded by existing cash, its operating line of $150,000, short term promissory notes, issuance of shares for services (see Note 34) and through management of working capital. Management is continuing to address the need to increase revenue and control costs with the goal of becoming profitable on a run-rate basis by the end of 2020. This included the shuttering of traditional food operations as described in Note 34 of the Financial Statements, the termination of three of four building leases in 2020 and reduction of staff. In addition, Management continues to obtain bridge financing as described in Note 34 while it plans to secure longer term financing which has been delayed due to business interruptions caused by the COVID-19 pandemic. Should longer term financing take longer than anticipated, the Corporation will pivot its current operations to focus on selling its services (co-packing) which requires less working capital investment and grow its proprietary brands more slowly. Management

anticipates that these back-up plans will enable it to become cash flow positive sooner and will enable it to support operations over the next year. Readers should refer to the going concern assumption in Note 1.

30) CAPITAL DISCLOSURE

The Corporation's objectives when managing capital are:

- to ensure sufficient liquidity to enable the internal financing of capital projects;
- to develop a strong capital base to increase investor, creditor and market confidence; and
- to ultimately provide an adequate return to shareholders.

The Corporation's capital is currently composed of share capital and contributed surplus, long-term debt, convertible debentures, promissory notes payable, short-term notes payable and access to a revolving bank line of credit (Note 9). The Corporation's primary uses of capital in the past have been to finance its operations, growth (internal and through business acquisitions), and property and equipment purchases. The Corporation maintains a secured operating line of credit with a chartered bank that it uses for its business activities. The Board does not establish quantitative return on capital criteria for management. The Corporation is not subject to any externally imposed capital requirements.

31) CONTINGENCIES

From time to time, the Corporation is subject to legal proceedings and or claims in the normal course of business. Management vigorously defends any allegations under such suits or claims that arise from time to time and believes that the ultimate liability, if any, under any pending matters will not materially affect the financial position or results of operations of the Corporation. At December 31, 2019, the Corporation was not subject to any material legal proceedings.

32) STOCK APPRECIATION RIGHTS

In 2019 the Corporation issued 4,250,000 stock appreciation rights (SARs) to employees, consultants, and vendors of the Corporation (2018 - 4,930,331). Total issued SARs units outstanding as at December 31, 2019 was 14,183,000 (2018 - 9,933,000). The SARs hold no value until a liquidity event occurs, defined in the SARs Plan as either the sale of all or substantially all of the assets or shares of the corporation. As of December 31, 2019, no liquidity event has occurred.

33) SEGMENTED INFORMATION AND CONCENTRATIONS

The Corporation's chief operating decision makers are the Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer. They review the operating performance of the Corporation by two segments comprised of licensed and unlicensed channels, both of which are or were in the manufacturing, distribution and marketing of wellness products to address a variety of dietary and health concerns. The licensed channel includes cannabis-related products to which the manufacturing, sale and distribution are subject to regulation. The unlicensed channel includes all other wellness products not subject to the licensing requirements in respect of cannabis. The accounting policies of the segments are the same as those described in the summary of significant accounting policies contained in the Annual Financial Statements. The chief operating decision makers utilize gross profit as a key measure in making operating decisions and assessing performance. Information by segment is as follows:

	Licensed		Unlicensed		Total	
In $	**2019**	2018	**2019**	2018	**2019**	2018
Gross revenue	**9,880,454**	117,007	**2,007,287**	2,325,229	**11,887,741**	2,442,236
Promotional activity	**-**	-	**(770,928)**	(838,831)	**(770,928)**	(838,831)
Amortization of product listing fees	**-**	-	**(141,321)**	(111,804)	**(141,321)**	(111,804)
Total revenue	**9,880,454**	117,007	**1,095,038**	1,374,594	**10,975,492**	1,491,601
Cost of sales	**9,801,778**	88,114	**2,083,470**	2,103,753	**11,885,248**	2,191,867
Gross income (loss)	**78,676**	28,893	**(988,432)**	(729,159)	**(909,756)**	(700,266)

The Corporation generates revenues from external customers and has non-current assets in two geographic areas as follows:

In $	**2019**	2018
Gross Revenue:		
Canada	**283,412**	378,498
United States	**11,604,329**	2,063,738
	11,887,741	2,442,236
Security deposits		
Canada	**32,995**	32,955
United States	**220,822**	21,199
	253,817	54,194
Property and equipment:		
Canada	**398,590**	392,662
United States	**6,986,358**	141,366
	7,384,948	534,028
Intangible assets and goodwill:		
Canada	**-**	42,644
United States	**7,217,874**	2,732,998
	7,217,874	2,775,642

The Corporation has recorded gross revenue of $3,625,239 from two major customers, representing 30% of gross revenue (2018 gross revenue of $2,172,465 from three major customers, representing 89% of total revenue). Accounts receivable due from these customers as at December 31, 2019 amounted to 26% of total accounts receivable (2018 – 47%). The major customers are distributors who represent several retail clients and therefore, if the relationship did not continue with any one of these distributors, the Corporation would still be able access those customers, either through another distributor or directly.

34) SUBSEQUENT EVENTS

a) **Share Issuances**

From January to July of 2020, a total of 4,181,924 common shares were issued to three separate companies to settle $243,306 of amounts payable in respect of consulting services. One of the companies is a related party as it is a company controlled by a close family member of certain key management personnel. It received 2,120,574 common shares to settle $126,000 of services and fees owed to it for the period December 2019 to July 2020.

On January 15, 2020, GABY issued 16,666,666 of common shares to settle $1,083,333 of indebtedness owed to a company ("CEOCo") controlled by the Chair and CEO. The indebtedness was comprised of loans and interest of $1,049,435, including a $450,000 promissory note (plus accrued interest) (Note 18) assumed by CEOCo subsequent to December 31, 2019, and a USD 100,000 10% loan to GABY on January 10, 2020 (see d) below) (plus interest), plus $33,898 of consulting fees payable to CEOCo.

On January 27, 2020 3,033,003 of common shares were issued to a director of the Corporation for $250,000 cash.

On January 31, 2020, 462,497 common shares were issued to settle USD 90,000 of non-interest bearing promissory notes.

b) RSUs and Warrants issuances

Pursuant to a restricted share unit ("RSU") incentive plan implemented in 2020, the Corporation has 8,340,000 RSUs outstanding at the date of issue of these consolidated financial statements. The RSUs vest one-third each over the first, second and third anniversary year from the date of grant and are each issuable into one common share of the Corporation. The share price at date of grants ranged from $0.035 to $0.07 per share. The fair value of the RSUs adjusted for estimated forfeitures is estimated as $433,962 which will be recorded as an expense over the three years in which services are received with a corresponding amount recorded as contributed surplus.

On May 1, 2020 the Corporation issued four tranches of warrants totaling 2,000,000 in number as partial compensation for services from a consultant. Each warrant has a three year life and is exercisable into one common share for the exercise price per warrant outlined below upon the common shares reaching varying targets of volume weighted average price over 20 consecutive days ("Target VWAP") as follows:

Number of Warrants in each Tranche	Target VWAP	Exercise price
500,000	$0.15	$0.20
500,000	$0.20	$0.25
500,000	$0.25	$0.30
500,000	$0.30	$0.35
600,000		

c) Promissory notes

In addition to the USD 100,000 promissory note described in Note 34 a) subsequently repaid through the issuance of shares, the Corporation issued the following promissory notes subsequent to year-end:

Date	Interest rate	CAD	USD	Description
February 10, 2020	10%	100,000	-	Issued to CEOco, repayable on demand
February 13, 2020	10%	-	100,000	Issued to CEOco, repayable on demand
February 18, 2020	10%	-	20,000	Issued to CEOco, repayable on demand
February 19, 2020	10%	20,000	-	Issued to CEOco, repayable on demand
February 27, 2020	10%	100,000	-	Repayable on demand
March 12, 2020	10%	85,000	-	Issued to a a close family member of a KMP, repayable on demand
Total		305,000	120,000	

d) Discontinued operations March 2020

In March of 2020, GABY announced its intention to sell the frozen food business marketed under the Gabriella's Kitchen™ and subsequent thereto, to stem operating losses, particularly in light of the COVID-19 crisis, wound down those operations effective March 31, 2020.

e) Uncertainty due to COVID-19

COVID-19 has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the corona virus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Corporation's business activities. The extent to which the corona virus may impact the Corporation's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease. These events are highly uncertain and as such, the Corporation cannot determine their financial impact at this time.