FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: GABY INC. (the "Issuer").

Trading Symbol: GABY

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

The interim financial statements for the three and nine month periods ended March 31, 2020 and 2019 are attached as Schedule "A" (the "Interim Financial Statements").

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

See attached Schedule "B".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

See attached Schedule "B".

(b) summary of options granted during the period,

See attached Schedule "B".

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

See attached Schedule "B".

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

See attached Schedule "B".

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The Interim MD&A is attached as Schedule "C".

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated August 15, 2020

Leanne Likness

Name of Director or Senior Officer

"Leanne E. Likness"

Signature

Corporate Secretary
Official Capacity

Issuer Details Name of Issuer GABY Inc.	For Quarter Ended March 31, 2020	Date of Report YY/MM/D August 15, 2020
Issuer Address 200, 209 - 8th Avenue SW,		
City/Province/Postal Code Calgary, Alberta T2P 1B8	Issuer Fax No. N/A	Issuer Telephone No. (800) 674-2239
Contact Name Margot Micallef	Contact Position Founder, Chair and CEO	Contact Telephone No. (800) 674-2239
Contact Email Address IR@gabyinc.com	Web Site Address www.gabyinc.com	

GABY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS ENDED
MARCH 31, 2020 AND 2019
(in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of GABY Inc. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GABY INC.

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars	Note	(Unaudited) March 31, 2020	(Audited) December 31, 2019
ASSETS			
Current			
Cash		**186,650**	698,951
Accounts receivable		**2,104,030**	2,088,201
Inventories		**596,034**	1,471,410
Prepaid expenses and deferred costs		**748,948**	750,338
		3,635,662	5,008,900
Non-current			
Property and equipment	3	**7,042,305**	7,384,948
Intangible assets and goodwill		**8,174,528**	7,217,874
Security deposits		**220,533**	253,817
Total assets		**19,073,028**	19,865,539
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	5	**132,496**	-
Accounts payable and accrued liabilities	4	**5,388,046**	4,207,012
Income taxes payable		**58,674**	48,349
Short-term notes payable	6	**99,393**	207,424
Current portion of lease liabilities	9	**278,553**	406,068
Current portion of long-term debt	10	**88,602**	80,118
Current liabilities before the following:		**6,045,764**	4,948,971
Promissory notes payable	4,7	**1,145,276**	1,463,179
Convertible debentures	4,8	**639,917**	635,255
		7,830,957	7,047,405
Non-current liabilities			
Lease liabilities	9	**6,204,456**	6,342,261
Long-term debt	10	**172,789**	177,592
Deferred tax liability		**312,880**	347,194
Total liabilities		**14,521,082**	13,914,452
SHAREHOLDERS' EQUITY			
Share capital	12	**44,547,108**	43,068,525
Contributed surplus	11,12	**5,488,475**	5,373,688
Deficit		**(45,943,897)**	(41,943,032)
Accumulated other comprehensive loss		**460,260**	(548,094)
		4,551,946	5,951,087
Total liabilities and shareholders' equity		**19,073,028**	19,865,539

Going concern	1
Subsequent events	22

See accompanying notes to the condensed interim consolidated financial statements

GABY INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)		Three months ended March 31,	
In Canadian dollars	Note	**2020**	**2019**
CONTINUING OPERATIONS			
REVENUE		**1,449,054**	54,175
COST OF SALES			
Direct inventory costs	13	**1,467,729**	102,547
Variable gross profit		**(18,675)**	(48,372)
Allocated indirect costs	14	**133,429**	47,043
Distribution costs		**71,523**	-
Total cost of sales		**1,672,681**	149,590
Gross profit (loss)		**(223,627)**	(95,415)
Selling, general and administrative expenses	15	**2,269,683**	1,246,590
Share based compensation and expenses	11	**134,714**	173,296
Depreciation of plant and equipment		**148,099**	11,472
Loss from operations before the following:		**(2,776,123)**	(1,526,773)
Foreign exchange gain (loss)		**(62,683)**	2,626
Gain on conversion of debt	12,18	**74,874**	-
Gain on lease termination	17,18	**543**	-
Interest expense		**(233,442)**	(24,349)
Interest income		**-**	3,828
Penalties and interest on past-due taxes		**(231,222)**	-
Recovery of impairment amount		**8,758**	-
Total other losses		**(443,172)**	(17,895)
Loss before income tax expense (recovery)		**(3,219,295)**	(1,544,668)
Current income tax expense		**5,346**	-
Deferred income tax recovery		**(63,454)**	(44,442)
Income tax recovery		**(58,108)**	(44,442)
Net loss from continuing operations		**(3,161,187)**	(1,500,226)
DISCONTINUED OPERATIONS			
Net loss from discontinued operations	17	**(839,678)**	(879,527)
Net loss		**(4,000,865)**	(2,379,753)
Other comprehensive loss, net of tax			
Items that may be reclassified to net profit in the future:			
Exchange difference on translation		**1,008,354**	(42,631)
Total comprehensive loss		**(2,992,511)**	(2,422,384)
Net loss per share:			
Basic and diluted	16	**($0.02)**	($0.03)

See accompanying notes to the condensed interim consolidated financial statements

GABY INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited) *In Canadian dollars*	**Note**	**Share issuance obligation**	**Share capital**	**Contributed surplus**	**Deficit**	**Accumulated other comprehensive income**	**Total**
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		-	-	-	(2,379,753)	(42,631)	(2,422,384)
Settlement of share-issuance obligation	18	(511,200)	511,200	-	-	-	-
Equity issuance costs	12	-	(5,093)	-	-	-	(5,093)
Stock option expense	11	-	-	173,296	-	-	173,296
Issuance of warrants attached to convertible debentures	12	-	-	81,900	-	-	81,900
Balance as at March 31, 2019		**-**	**18,724,217**	**1,525,859**	**(21,534,376)**	**82,750**	**(1,201,550)**
Balance as at December 31, 2019		-	43,068,525	5,373,688	(41,943,032)	(548,094)	5,951,087
Net and comprehensive loss		-	-	-	(4,000,865)	1,008,354	(2,922,511)
Issuance of shares to settle debts	12	-	1,228,583	-	-	-	1,228,583
Issuance of subscription shares	12	-	250,000	-	-	-	250,000
Stock option and RSU expense	11	-	-	107,141	-	-	107,141
Other share-based compensation		-	-	7,646	-	-	7,646
Balance as at March 31, 2020		**-**	**44,547,108**	**5,488,475**	**(45,943,897)**	**460,260**	**4,551,946**

See accompanying notes to the condensed interim consolidated financial statements

GABY INC.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)		**Three months ended March 31,**	
In Canadian dollars	Note	**2020**	2019
OPERATING ACTIVITIES			
Net loss		**(4,000,865)**	(2,379,753)
Adjustments to reconcile net loss to cash flow from operations:			
Deferred income tax recovery		**(63,454)**	(44,442)
Depreciation	3	**223,276**	106,743
Amortization of intangible assets		**-**	4,460
Gain on conversion of debt		**(74,874)**	-
Gain on lease termination		**(8,261)**	-
Interest expense		**244,656**	48,590
Interest income		**-**	(3,828)
Recovery of impairment		**(8,758)**	-
Share-based compensation	11	**134,714**	173,296
Unrealized foreign exchange loss (gain)		**34,369**	(19,392)
Cash used in operating activities before the following:		**(3,519,197)**	(2,114,326)
Net change in non-cash working capital related to operations		**2,184,216**	1,043,963
Cash used in operating activities	17	**(1,334,981)**	(1,070,363)
INVESTING ACTIVITIES			
Purchase of property and equipment	3	**(3,119)**	(36,586)
Proceeds from sale of property and equipment		**14,000**	-
Issuance of notes receivable		**-**	(498,525)
Deposits paid		**-**	(1,813)
Deposit refunds received		**296**	-
Cash generated by (used in) investing activities	17	**11,177**	(536,924)
FINANACING ACTIVITIES			
Proceeds on convertible debentures and attached warrants		**-**	1,300,000
Issuance costs paid – convertible debentures	8	**-**	(8,019)
Proceeds on promissory notes	7	**705,788**	200,000
Advances from related parties	4	**-**	30,000
Repayment of long-term debt		**(19,753)**	-
Repayment of lease liabilities	9	**(87,724)**	(57,427)
Issuance of share capital	12	**250,000**	-
Equity issuance costs	12	**-**	(5,093)
Interest paid		**(197,296)**	(28,100)
Cash generated by financing activities	17	**651,015**	1,431,361
Foreign currency translation adjustment		**27,992**	(1,289)
Net change in cash		**(644,797)**	(177,215)
Cash, beginning of period		**698,951**	53,658
Cash (Bank indebtedness), end of period	5	**54,154**	(123,557)

See accompanying notes to the condensed interim consolidated financial statements

(Unaudited)		As at March 31,	
In Canadian dollars	Note	**2020**	2019
CASH (BANK INDEBTEDNESS) CONSISTS OF:			
Cash		**186,650**	10,181
Bank indebtedness		**(132,496)**	(133,738)
		54,154	(123,557)

See Note 18 for detail of non-cash transactions and Note 17 for detail of cash flows from discontinued operations

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 focused company that packages and/or markets for its own proprietary brands as well as for third parties a variety of, cannabis products, including: flower, concentrates, pre-rolls, edibles, topicals, tinctures, and other products derived from or infused with cannabis or hemp. As of the end of March 2020, GABY's business is focused in the United States of America ("USA") Prior to March 2020, GABY also produced and marketed health food products in the USA and Canada (see Note 17 in respect of the shuttering of traditional food operations). Prior to April 1, 2019, the Corporation primarily 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. Thereafter, through acquisitions, the Corporation now produces, markets, and distributes cannabis-related CPG in the USA.

1. GOING CONCERN

These interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 ("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. 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 three months ended March 31, 2020 the Corporation had a net loss of $4.0 million and negative cash flow from operations of $1.3 million. 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 March 31, 2020 the working capital deficit was $4.2 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 focus included the shuttering of traditional food operations as described in Note 17. To date, management has obtained bridge financing as described in Note 7 while it works to secure longer-term financing. The novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization and has caused significant uncertainty; 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 Corporation's board of directors ("Board") on August 16, 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 detailed in the Corporation's annual consolidated financial statements ("Annual Financial Statements").

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

The notes presented in these Financial Statements include only significant events and transactions occurring since the Corporation's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Corporation's annual consolidated financial statements. As a result, these Financial Statements should be read in conjunction with the Annual Financial Statements.

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements except as noted below.

In the most recent Annual Financial Statements, it was disclosed that the functional currency of one of the subsidiaries, Gabriella's Kitchen LLC, was the Canadian dollar. The functional currency was re-evaluated in 2020 and it was determined that given the change in operations of the consolidated entity, including the shift to US dollar operations and the discontinuance of the Canadian operations, the functional currency is now the US dollar effective January 1, 2020. Accordingly, the transactions and balances of Gabriella's Kitchen LLC are now translated in the same manner as the other subsidiaries. As a result of this change, the translation difference of $396,746 was included in other comprehensive income rather than a translation difference of $406,160 being included in net loss.

In Canadian dollars, unless otherwise stated (Unaudited)

3. PROPERTY AND EQUIPMENT

	Net book value of Property and equipment				
In $	**Right-of use assets - facilities**	**Right-of use assets - equipment**	**Assets under finance lease**	**All other property and equipment**	**Total**
Balance as at Dec 31, 2018	**-**	**-**	**163,877**	**370,151**	**534,028**
Jan 1, 2019 adoption of IFRS 16	851,416	163,877	(163,877)	-	851,416
Purchase	-	-	-	36,586	36,586
Depreciation	(53,487)	(18,271)	-	(34,985)	(106,743)
Effect of foreign exchange	(10,296)	-	-	(3,003)	(13,299)
Balance as at Mar 31, 2019	**787,633**	**145,606**	**-**	**368,749**	**1,301,988**
Balance as at Dec 31, 2019	**6,471,210**	**56,579**	**-**	**857,159**	**7,384,948**
Purchase	-	-	-	3,119	3,119
Disposals	(553,068)	(53,579)	-	(62,301)	(668,948)
Depreciation	(175,411)	-	-	(47,865)	(223,276)
Effect of foreign exchange	463,774	-	-	82,688	546,462
Balance as at Mar 31, 2020	**6,206,505**	**3,000**	**-**	**832,800**	**7,042,305**

4. 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 $		**March 31,**	
a. Amounts included in Selling, general and administrative expenses:	Note	**2020**	2019
Compensation of key management personnel (“**KMP**”)[1]			
Cash compensation for services provided by separate management entities		**43,333**	118,449
Cash compensation to individuals		**257,157**	166,208
Share-based compensation		**72,748**	126,762
Total compensation of KMP		**373,238**	411,419
Other expenses on behalf of the Corporation by an entity related by a director and officer		**31,707**	83,391
Consulting fees to a company controlled by close family of certain KMP		**45,000**	-
Rent paid to a company controlled by an officer and director		**10,968**	10,968
b. Amounts included in Cost of sales:			
Royalty and licensing fees paid to a company controlled by a close family member of a KMP		**-**	2,979
c. Amounts included in Interest expense:			
Interest on convertible debentures to directors and entities controlled by directors		**3,730**	4,687

In Canadian dollars, unless otherwise stated (Unaudited)

Interest on convertible debentures to entity controlled by person related to officer and director of the Corporation		**-**	688
Interest paid to directors in respect of short-term promissory notes		**14,660**	-
d. Due to related parties included in statement of financial position		**Mar 31, 2020**	Dec 31, 2019
Included in prepaid expenses			
Prepayment of consulting fees to a company controlled by a close family member of certain KMP on issuance of common shares	11	**36,000**	-
Included in Promissory notes payable:			
To directors, entities controlled by directors, and close family member of a director	7	**737,792**	698,693
Included in convertible debentures:			
To entity controlled by directors		**100,000**	100,000
Included in accounts payable and accrued liabilities			
Compensation payable to key management personnel or their separate management entities		**148,265**	91,875
Other amounts due to KMP		**5,229**	9,621
Interest payable in respect of c) above		**8,702**	4,973
Rent payable to a company controlled by an officer and director		**15,356**	3,839
Consulting fees payable to a company controlled by a close family member of certain key management personnel		**-**	15,750
Amounts due on reimbursements of other expenses in a) above		**106,910**	108,326
e. Advances from (t0) related parties, net			
Non-interest-bearing advance from director and officer		**-**	30,000

[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 and the Board (C-suite executives of the Board).

5. BANK INDEBTEDNESS

A demand operating loan has been authorized by TD Canada Trust to a maximum of $150,000 (2019 - $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 March 31, 2020 was 2.45% (December 31, 2019 - 3.95%).

6. SHORT-TERM NOTES PAYABLE

	In $	
	Mar 31, 2020	Dec 31,2019
Non-interest bearing		
Promissory notes payable of USD 70,000 due on closing of next financing transaction undertaken by the Corporation generating proceeds of at least $500,000	**99,393**	90,748
Other promissory notes payable of USD 90,000	**-**	116,676
	99,393	207,424

In Canadian dollars, unless otherwise stated (Unaudited)

7. PROMISSORY NOTES PAYABLE

		In $	
		Mar 31, 2020	Dec 31, 2019
Due to related parties:	Note		
USD note payable, including interest accrual of $nil (Dec 31, 2019 - $6,758)	a	**-**	448,076
Note payable, including interest accrual of $6,833 (Dec 31, 2019 - $617)	b	**256,833**	250,617
Note payable, including interest accrual of $441 (2019 - n/a)	c	**85,441**	-
USD notes payable, including interest accrual of $2,155 (2019 - n/a)	d	**172,584**	-
Notes payable, including interest accrual of $2,934 (2019 – n/a)	e	**222,934**	-
Sub-total of promissory notes payable to related parties		**737,792**	698,693
Due from others:			
Note payable, including interest accrual of $2,822 (Dec 31, 2019 -18,233)	f	**2,822**	468,233
Notes payable, including interest accrual of $53,733 (Dec 31, 2019 - $46,253)	g	**303,733**	296,253
Note payable, including interest accrual of $929 (2019 –n/a)	h	**100,929**	-
		1,145,276	1,463,179

a) The promissory note was for a principal amount of USD 340,500 that was payable on demand to a company controlled by an officer and director of the Corporation. The note accrued 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 promissory note plus interest was repaid through issuance of treasury common shares in January 2020 as described in Note 12.

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 an initial term ended March 31, 2020 which has ended and is now payable on demand.

c) The promissory note, payable to a close family member of 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. Interest is also due at the same rate on any overdue interest amounts.

d) The promissory notes were for a total principal amount of USD 220,000 that was payable on demand to a company controlled by an officer and director of the Corporation. USD 100,000 of these notes payable was settled in January 2020 through issuance of common shares (see Note 12). The notes accrue 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.

e) The promissory notes, payable on demand to a company controlled by an officer and director of the Corporation, accrue 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.

f) The promissory note accrued interest at a rate of 5% per annum compounded annually, had a three-month initial term which ended July 25, 2019 and therefore was repayable on demand and was repayable by the Corporation at any time without penalty. The promissory note plus interest (all but $2,822) was repaid through issuance of treasury common shares in January 2020 as described in Note 12.

In Canadian dollars, unless otherwise stated (Unaudited)

g) Three promissory notes are payable on demand and 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.

h) The promissory note is payable on demand and 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.

8. CONVERTIBLE 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. 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.

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

	In $	
	Mar 31, 2020	Dec 31, 2019
Beginning balance	**635,255**	-
Gross proceeds received	**-**	1,550,000
Issue costs – legal fees and commissions	**-**	(27,893)
Equity component – 650,000 warrants	**-**	(81,900)
Remaining liability component initially recognized	**635,255**	1,440,207
Repayments	**-**	(892,992)
Interest accretion expense on warrants and legal	**4,662**	88,040
Ending balance of convertible debentures	**639,917**	635,255

Total interest for the three months ended March 31, 2020 relating to the convertible debentures, including coupon interest and accretion of issuance costs, is $29,165 (March 31, 2019 - $19,997).

In Canadian dollars, unless otherwise stated (Unaudited)

9. LEASE LIABILITIES

The Corporation is obligated under various lease agreements as described in the Annual Financial Statements. A reconciliation of the balance of lease liabilities for the periods ending March 31, 2020 and December 31, 2019 is as follows:

	In $	
	Mar 31, 2020	Dec 31, 2019
Balance, beginning of period	**6,748,329**	1,036,045
Acquired on business acquisition	**-**	733,765
Additions on new lease agreements	**-**	5,850,372
Divestitures	**(651,949)**	(503,295)
Total cash outflows for leases	**(345,642)**	(1,069,204)
Initial payments capitalized to right of use assets	**-**	67,167
Variable lease payments not included in the measurement of lease liabilities	**70,473**	259,309
Portion of lease payments allocated to interest expense	**188,553**	424,006
Guarantee fee – GABY warrants	**(7,822)**	(15,446)
Effects of changes in foreign exchange rate	**481,067**	(34,390)
Balance, end of period	**6,438,009**	6,748,329
Current portion of lease liabilities	**(278,553)**	(406,068)
Non-current portion, end of period	**6,204,456**	6,342,261

10. 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**	**Mar 31, 2020**	Dec 31, 2019
USD 448	4.9%	Sept 2023	**24,416**	23,756
USD 875	1.9%	April 2023	**44,640**	43,924
USD 707	1.9%	April 2023	**36,026**	35,479
USD 743	2.90%	June 2023	**39,214**	38,446
USD 620	5.24%	Sept 2022	**25,455**	24,635
USD 1,150	5.24%	Sept 2022	**45,820**	45,735
USD 1,150	5.24%	Sept 2022	**45,820**	45,735
			261,391	257,710
Less: current portion			**(88,602)**	(80,118)
			172,789	177,592

The increase in long-term debt from the previous period is a result of a significant increase in the applicable foreign exchange rate from December 31, 2019 to March 31, 2020.

In Canadian dollars, unless otherwise stated (Unaudited)

11. SHARE-BASED COMPENSATION AND PAYMENTS

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

		In $	
	Note	**Mar 31, 2020**	Mar 31, 2019
Share-based payments included in operating expenses:			
Stock option plan employee compensation and consulting fees	11a	**200,614**	173,296
RSU plan employee compensation	11b	**4,490**	-
Forfeiture of options		**(97,963)**	-
Amortization of prepaid share-based payment	11c	**27,573**	-
Total share-based payments included in operating expenses		**134,714**	173,296
Settlement of accounts payable in lieu of cash payment	11d	**99,000**	-
Settlement of amounts due to a director in lieu of cash payment		**33,898**	-
Total share-based payments		**267,612**	173,296

a. Stock option plan

Set out below are summaries of activity in respect of the Corporation's stock options for the periods ended as follows:

	March 31, 2020		**December 31, 2019**	
	Average exercise price per option in $	**Number of options**	**Average exercise price per option in $**	**Number of options**
Opening	**$0.30**	**11,790,000**	$0.39	3,375,000
Granted	**-**	**-**	$0.43	10,315,000
Forfeited	**$0.28**	**(1,650,000)**	$0.48	(1,900,000)
Stock option amendment:				
Cancellation	**-**	**-**	$0.50	(5,660,000)
Issuance	**-**	**-**	$0.27	5,660,000
Closing	**$0.30**	**10,140,000**	$0.30	11,790,000
Vested and exercisable at period end	**$0.27**	**2,655,000**	$0.27	3,155,000

In Canadian dollars, unless otherwise stated (Unaudited)

Share options outstanding as at March 31, 2020 and December 31, 2019 have the following range of exercise prices and weighted average remaining contractual life:

	March 31, 2020		December 31, 2019	
Exercise price	Number	Weighted average contractual life in years	Number	Weighted average contractual life in years
$0.1250	300,000	4.64	300,000	4.89
$0.2700	4,390,000	4.52	5,890,000	4.77
$0.2856	1,625,000	3.43	1,625,000	3.68
$0.3500	25,000	4.07	25,000	4.32
$0.3600	3,800,000	4.35	3,950,000	4.60
	10,140,000	**4.28**	11,790,000	4.56

Fair value of options granted

The options are granted for no consideration. There were no options granted during the period ended March 31, 2020. The fair value of the options granted during the period ended March 31, 2019 of $0.15 per option was determined using the Black Scholes Model which considers the following inputs:

Exercise price	Share price at measurement date	Average Risk-free interest rate[1]	Expected volatility[2]	Expected life in years	Expected dividend yield
$0.50	$0.30	1.90%	80%	5	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 operating expenses for directors', officers' and consulting services received for the period ended March 31, 2020 is $102,651 (March 31, 2019 - $173,296) and is classified as contributed surplus on the Corporation's consolidated statement of financial position. Of the foregoing amounts, $71,410 was in respect of KMP for the period ended March 31, 2020 (March 31, 2019 - $126,762)

b. Restricted share units ("RSUs")

The Corporation implemented an RSU plan in 2020. 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.

The RSU 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 RSUs under the RSU Plan. The vesting conditions of any RSUs granted under the RSU Plan shall be determined by the Board at the time of grant but provided that the vesting term of any RSUs may not exceed three years.

In Canadian dollars, unless otherwise stated (Unaudited)

The RSU 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 RSU plan and the Corporation's 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).

Subject to certain exceptions, if a director or officer ceases to hold office, any unvested RSUs held by such person will expire immediately after they cease to hold office. The settlement of RSUs into shares shall generally occur on or shortly after the vesting date, subject to security regulations including black-out periods. The Corporation has the sole and absolute discretion to settle the RSUs in cash, purchase of its own shares on the CSE, or if approved by the Board, to issue shares from treasury. Until and unless common shares have been issued in accordance with the RSU Plan, the holder of the RSUs has no shareholder rights in respect of the RSUs, including the right to receive dividends.

Set out below is a summary of RSUs activity for the period ended March 31, 2020:

	March 31, 2020
	Number of RSUs
Opening	-
Granted	**2,040,000**
Exercised	-
Expired	-
Forfeited	-
Closing	**2,040,000**
Vested at period end	-

The weighted average fair value of the RSUs granted during the period ending March 31, 2020 was $0.065 per RSU, which was based on the common share closing price on the CSE on the date of grant and assumes no future expected dividends.

The amount included in share-based compensation and expenses for the period ended March 31, 2020 is $4,490 (March 31, 2019 - $nil) and is classified as contributed surplus on the Corporation's consolidated statement of financial position. Of the foregoing amounts, $1,338 was in respect of KMP for the period ended March 31, 2020 (March 31, 2019 - $nil).

c. *Warrants issued for services*

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 as described in the Corporation's Annual Financial Statements. Below are transactions from 2019 which affect the current year's expenses:

In Canadian dollars, unless otherwise stated (Unaudited)

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 set up as a prepaid with a corresponding increase to contributed surplus and was being expensed over twelve months, as the service obligation is contractually required over that period. In January 2020, the Corporation terminated the contract resulting in expensing of the remaining prepaid. The resulting expense included in share-based compensation and expenses for the period is $27,573 (2019 - $nil).

On July 2, 2019 the Corporation entered into an agreement for public relations services for twelve 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 set up as prepaid with a corresponding increase to contributed surplus and is being expensed over twelve months as the service is contractually required over that period. The services of the consultant were not required for the three months ended March 31, 2020 and therefore the share-based compensation and expenses for that period is $nil (2019 - $nil).

d. Shares issued for settlement of accounts payable

		March 31, 2020		March 31, 2019	
Shares issued in respect of:		**Number**	**$**	**Number**	**$**
Consulting service fees payable	i	**420,000**	**31,500**	**-**	-
Consulting services fees payable to related party	ii	**750,000**	**67,500**	-	-
Total common shares issued		**1,170,000**	**99,000**	**-**	-

i) A consultant agreed to receive payment for two months of consulting fees in shares rather than cash. The Corporation measured the fair value of services received as invoiced as measured when such services were previously paid in cash. The common shares were measured using five-day weighted-average share price on date of issuance at an average of $0.075 per share.

ii) A consultant agreed to receive payment for four months of current and future consulting fees in shares rather than cash. The Corporation measured the fair value of services received as invoiced as measured when such services were previously paid in cash. The common shares were measured using five-day weighted-average share price on date of issuance at an average of $0.09 per share.

In Canadian dollars, unless otherwise stated (Unaudited)

12. 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					
	Note	Class A common voting shares		Warrants[b]		Special Warrants[c]	Stock option and RSU plan	Total	Total transaction
		Number	$	Number	$	$	$	$	$
Balance as at December 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		1,383,800	511,200	-	-	-	-	-	511,200
Equity issuance costs		-	(5,093)	-	-	-	-	-	(5,093)
Stock option expense		-	-	-	-	-	173,296	173,296	173,296
Issuance of warrants attached to convertible debentures		-	-	650,000	81,900	-	-	81,900	81,900
Closing balance, March 31, 2019		**91,864,583**	**18,724,217**	**42,884,073**	**980,423**	**80,045**	**465,391**	**1,525,859**	**20,250,076**
Balance as at December 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**
Issuance of shares to settle indebtedness to company controlled by director and officer	12a	16,666,666	1,083,333	-	-	-	-	-	1,083,333
Issuance of shares to director from treasury	12b	3,003,003	250,000	-	-	-	-	-	250,000
Stock option expense	11a	-	-	-	-	-	102,651	102,651	102,651
RSU compensation expense	11b	-	-	-	-	-	4,490	4,490	4,490
Share-based payments	11d	1,170,000	99,000	-	7,646	-	-	7,646	106,646
Issuance of shares to settle non-interest-bearing promissory notes	12e	462,497	46,250	-	-	-	-	-	46,250
Closing balance, March 31, 2020		**227,077,991**	**44,547,108**	**78,590,766**	**3,214,454**	**1,006,355**	**1,267,666**	**5,488,475**	**50,035,583**

In Canadian dollars, unless otherwise stated (Unaudited)

a. Shares issued from treasury to settle indebtedness

In January 2020, 16,666,666 common shares issued at $0.065 per share were issued to a company controlled by a director and officer of the Corporation to settle amounts owing of $1,083,333 as detailed in the table below. The share price was based on closing price of the shares one day prior to the Board's approval of the issuance.

	USD (if applicable)	CAD
Promissory notes plus interest issued in USD	**447,167**	583,099
Promissory note plus interest issued in CAD		466,336
Settlement of other amounts due to related party		33,898
		1,083,333

b. Shares issued from treasury to a company controlled by a director

In February 2020, 3,003,003 common shares were issued to a director for total proceeds of $250,000 or $0.08325 per share, based on the five-day weighted-average closing price of the shares prior to the date of issuance.

c. Warrants

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

	March 31, 2020		December 31, 2019	
	Average exercise price per warrant in $	Number of warrants	Average exercise price per warrant in $	Number of warrants
Opening[1]	**$0.38**	**78,590,766**	$0.37	42,234,073
Granted	-	-	$0.39	36,904,193
Issued on compensation warrants	-	-	$0.37	17,500
Exercised	-	-	($0.37)	(565,000)
Closing	**$0.38**	**78,590,766**	$0.38	78,590,766
Vested and exercisable at period end	**$0.38**	**77,590,766**	$0.38	77,590,766

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

	March 31, 2020		December 31, 2019	
Exercise price	Number	Weighted average contractual life in years	Number	Weighted average contractual life in years
$0.37	**42,336,573**	**0.42[1]**	42,336,573	0.67[1]
$0.375 - $0.38	**34,204,193**	**1.26**	34,204,193	1.51
$0.42 - $0.65	**2,050,000**	**2.52**	2,050,000	2.77[2]
	78,590,766	**0.84**	78,590,766	1.09

In Canadian dollars, unless otherwise stated (Unaudited)

[1] The Corporation may accelerate the expiry date of the 42,234,073 warrants upon 30 days written notice to the holders.
[2] See Note 18 of the Annual Financial Statements for market vesting conditions for 600,000 warrants exercisable at $0.50.

d. 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:

		March 31, 2020		December 31, 2019	
		#	$	#	$
Compensation Warrants	i.	**477**	**79,215**	477	79,215
Broker Warrants	ii.	**4,522,634**	**927,140**	4,522,634	927,140
Special Warrants			**1,006,355**		1,006,355

i. Compensation Warrants

The 477 Compensation Warrants entitle 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 and expire on June 13, 2020. The weighted average remaining life of the Compensation Warrants is 0.20 years.

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

	March 31, 2020		December 31, 2019	
	Average exercise price in $	Number of Compensation Warrants	Average exercise price in $	Number of Compensation Warrants
Opening	**$1,000**	**477**	$1,000	482
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	$1,000	(5)
Expired	**-**	**-**	-	-
Closing and vested at period end	**$1,000**	**477**	$1,000	477
Weighted average remaining life in years	**0.20**		0.45	

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.

In Canadian dollars, unless otherwise stated (Unaudited)

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

	March 31, 2020		December 31, 2019	
	Average exercise price in $	Number of Broker Warrants	Average exercise price in $	Number of Broker Warrants
Opening	**$0.30**	**4,522,634**	-	-
Granted	**-**	**-**	$0.30	4,522,634
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Closing and vested at period end	**$0.30**	**4,522,634**	$0.30	4,522,634
Weighted average remaining life in years	**1.20**		1.45	

e. Shares issued to settle non-interest-bearing promissory notes

On January 31, 2020, 462,497 common shares were issued at fair value of $46,250 to settle USD 90,000 of the short-term notes payable (Note 6) resulting in a gain on settlement of $74,874 as reported in the consolidated statement of loss and comprehensive loss.

13. DIRECT INVENTORY COSTS

In $	March 31,	
Balance comprised of:	**2020**	2019
Salaries and benefits	**437,051**	35,228
Direct material	**993,556**	50,605
Other direct costs	**37,122**	16,714
	1,467,729	102,547

14. ALLOCATED INDIRECT COSTS

In $	March 31,	
Balance comprised of:	**2020**	2019
Production licenses and permits	**40,320**	-
Production facility costs	**50,005**	43,758
Depreciation of production equipment	**12,984**	3,285
Other overhead costs	**30,120**	-
	133,429	47,043

In Canadian dollars, unless otherwise stated (Unaudited)

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In $	March 31,	
Balance comprised of:	**2020**	2019
Employee salaries and benefits	**1,313,186**	501,105
Consulting fees	**395,253**	281,194
Administrative costs	**350,229**	238,203
Advertising and promotion	**34,834**	6,842
Professional fees	**176,181**	219,246
	2,269,683	1,246,590

16. 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, Special Warrants, RSUs 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 three months ended March 31, 2020 was 222,946,438 (2019 – 91,557,072).

In Canadian dollars, unless otherwise stated (Unaudited)

17. DISCONTINUED OPERATIONS

As described in Note 1, the Corporation shuttered the traditional food operations based in Canada in March 2020. The total net assets held for sale at March 31, 2020 as a result is immaterial and therefore has not been reclassified in the Condensed Interim Consolidated Statements of Financial Position. The following amounts have been reclassified out of continuing operations in the Condensed Interim Consolidated Statements of Loss for the three months ended March 31, 2020 and 2019:

In $	March 31,	
Net loss from discontinued operations comprised of:	**2020**	2019
Revenue	**306,797**	202,820
Cost of sales		
Direct inventory costs	**371,631**	215,526
Allocated indirect costs	**213,154**	165,433
Distribution costs	**49,198**	52,953
Total cost of sales	**633,983**	433,912
Gross margin	**(327,186)**	(231,092)
Selling, general, and administrative expenses		
Employee salaries and benefits	**72,512**	93,789
Consulting fees	**3,461**	135,377
Administrative costs	**93,303**	145,841
Advertising and promotion	**25,754**	94,652
Selling costs	**103,015**	153,067
Total selling, general, and administrative expenses	**298,045**	622,726
Depreciation of plant and equipment	**4,634**	18,062
Amortization of intangible assets	**-**	4,460
Operating loss from discontinued operations	**(629,865)**	(876,340)
Other income (expense)		
Gain on lease termination	**7,718**	-
Interest on lease liabilities	**(11,214)**	(3,187)
Inventory write-down	**(206,317)**	-
Total other income (expense)	**(209,813)**	(3,187)
Net loss from discontinued operations	**(839,678)**	(879,527)

Cash flows from discontinued operations are as follows for the three months ended March 31, 2020 and 2019:

In $	March 31,	
Net cash flows from discontinued operations:	**2020**	2019
Net cash used in operating activities	**(223,834)**	(414,097)
Net cash generated by (used in) investing activities	**14,000**	(23,822)
Net cash used in financing activities	**(45,772)**	(46,707)
	(255,606)	(484,626)

In Canadian dollars, unless otherwise stated (Unaudited)

18. NON-CASH TRANSACTIONS

Non-cash transactions took place during the three-month periods ended as follows:

	In $	March 31, 2020	2019
1	The following adjustments were recorded as a result of lease terminations:	**-**	-
	Increase in accounts receivable	**16,500**	-
	Decrease in property and equipment, net (including right of use assets)	**646,190**	-
	Decrease in security deposits	**13,998**	-
	Decrease in lease liabilities	**651,949**	-
	Gain on lease terminations	**8,261**	-
2	Payment of consulting fees through issuance of common shares:		
	Increase in common shares	**99,000**	-
	Decrease in accounts payable	**63,000**	-
	Increase in prepaid expenses	**36,000**	-
3	Extinguishment of debts through issuance of common shares:		
	Decrease in promissory notes	**1,066,453**	-
	Decrease in amounts due to related party	**33,898**	
	Decrease in short-term notes payable	**98,093**	-
	Increase in common shares	**1,129,583**	-
	Loss on foreign exchange	**6,013**	-
	Gain on conversion of debt	**74,874**	-
4	Settlement of share issuance obligation through issuance of common shares:		
	Decrease in share issuance obligation	**-**	511,200
	Increase in common shares	**-**	511,200

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's current financial instruments include cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, short-term notes payable, promissory notes, and convertible debentures, and are measured at amortized cost. The carrying value of these instruments approximates 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.

20. STOCK APPRECIATION RIGHTS

In the three-month period ended March 31, 2020 and the year ended December 31, 2019, respectively, the Corporation issued 539,000 and 4,250,000 stock appreciation rights (SARs) to employees, consultants, and vendors of the Corporation. Total issued SARs units outstanding as at March 31, 2020 was 14,722,000 (December 31, 2019 – 14,183,000). 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 March 31, 2020, no liquidity event has occurred.

In Canadian dollars, unless otherwise stated (Unaudited)

21. SEGMENTED INFORMATION

The Corporation's chief operating decision makers are the Chief Executive 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 have been 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 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 $, at March 31,	2020	2019	2020	2019	2020	2019
Revenue	1,199,605	54,175	249,449	-	1,449,054	54,175
Cost of sales	1,501,546	149,590	171,135	-	1,672,681	149,590
Gross loss	(301,941)	(95,415)	78,314	-	(223,627)	(95,415)

In Canadian dollars, unless otherwise stated (Unaudited)

22. SUBSEQUENT EVENTS

From April to July of 2020, a total of 3,011,924 common shares were issued in respect of settlement of $157,925 of payables in respect of consulting services provided over the same period. 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 1,370,574 common shares to settle $72,119 of services and fees owed to it in respect of 2020.

Subsequent to March 31, 2020, 6,955,000 RSUs were issued and 655,000 RSUs were forfeited. The share price at date of grants was $0.065 per share. The fair value of the RSUs adjusted for estimated forfeitures, including the RSUs issued as of March 31, 2020, 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		

GABY INC.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All information related to transactions with Related Persons is included on pages 10 & 11 of the Interim Financial Statements and on pages 14 & 15 of the Management Discussion and Analysis.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
January 9, 2020	Common Shares	Issuance of Common Shares	700,000	$0.10	N/A	N/A	Common Shares issued to consultant for consulting services.	N/A
January 15, 2020	Common Shares	Issuance of Common Shares	16,666,666	$0.06	N/A	N/A	Common Shares issued to Oliver Capital (related party) through the conversion and settlement of an interest bearing C$1MM note owed.	N/A
January 20, 2020	Common Shares	Issuance of Common Shares	262,500	$0.075	N/A	N/A	Common Shares issued to consultant for consulting services.	N/A
January 27, 2020	Common Shares	Issuance of Common Shares	3,003,0003	$0.08325	$250,000	Cash	Common Shares issued to a former director and Related Party in exchange for investment.	N/A
January 27, 2020	Common Shares	Issuance of Common Shares	157,500	$0.105	N/A	N/A	Common Shares issued to a consultant for shares for services.	N/A

Date of Issue	Type of Security (common shares, convertible debentures etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
January 29, 2020	Common Shares	Issuance of Common Shares	262,500	$0.075	N/A	N/A	Common Shares issued to consultant for shares for services.	N/A
January 31, 2020	Common Shares	Issuance of Common Shares	462,497	$0.323	N/A	N/A	Common Shares issued to certain former shareholders of LuLu's Chocolates as per acquisition.	N/A
February 20, 2020	Common Shares	Issuance of Common Shares	157,500	$0.10	N/A	N/A	Common Shares issued to consultant for shares for services.	N/A
February 24, 2020	Common Shares	Issuance of Common Shares	750,000	$0.06	N/A	N/A	Common Shares issued to Related Party consultant for shares for services.	N/A

(b) summary of options granted during the period.

Restricted Share Units

Last Name	First Name	No. of RSUs	Date of Grant	Expiry Date
Benoit	Edward	30,000	March 16, 2020	December 31, 2023
Bonner	Zirque	60,000	March 16, 2020	December 31, 2023
Gomez	Nathan	15,000	March 16, 2020	December 31, 2023
Guevara	Seamus	60,000	March 16, 2020	December 31, 2023
Harjak	Kenny	15,000	March 16, 2020	December 31, 2023
Higginbotham	Nicholas	30,000	March 16, 2020	December 31, 2023
Jefferson	Travis	15,000	March 16, 2020	December 31, 2023
Kanistras	William	60,000	March 16, 2020	December 31, 2023
Micallef	Margot	400,000	March 16, 2020	December 31, 2023
Miller	Andrea	30,000	March 16, 2020	December 31, 2023
Nunez	Martin	15,000	March 16, 2020	December 31, 2023
Peterson	Nicole	15,000	March 16, 2020	December 31, 2023
Richard	Thomas	15,000	March 16, 2020	December 31, 2023
Rodriguez	Melissa	15,000	March 16, 2020	December 31, 2023
Savou	Laitia	15,000	March 16, 2020	December 31, 2023
Sharpe	Louise	125,000	March 16, 2020	December 31, 2023
Simpson	Ian	30,000	March 16, 2020	December 31, 2023
Stagg	Grace	30,000	March 16, 2020	December 31, 2023
White	Kevin	60,000	March 16, 2020	December 31, 2023
Weintraub	Daniel	30,000	March 16, 2020	December 31, 2023
Micallef (Insider)	Margot	30,000	March 23, 2020	December 31, 2023
Altwasser (Insider)	Jackie	130,000	March 23, 2020	December 31, 2023
Travis (Insider)	Robert	80,000	March 23, 2020	December 31, 2023
Bartlett (Insider)	Matthew	80,000	March 23, 2020	December 31, 2023

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

See pages 19 to 22 of the Interim Financial Statements.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Directors:

Margot Micallef, Founder, Chair and Chief Executive Officer and Director
Jackie Altwasser, Director
Robert Travis, Director
Matthew Bartlett, Director

Officers:

Margot Micallef, Founder, Chair and Chief Executive Officer
Leanne Likness, Corporate Secretary

GABY Inc.

Management's Discussion & Analysis
March 31, 2020 and 2019

FORWARD

The following is Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of GABY Inc., formerly Gabriella's Kitchen Inc prior to name change in September 2019 ("**the Corporation**" or "**GABY**") for the quarter ended March 31, 2020 and 2019. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Corporation and accompanying notes for the quarters ended March 31, 2020 and 2019 (the "**Financial Statements**") and the audited consolidated financial statements of the Corporation and accompanying notes as at and for the years ended December 31, 2019 and 2018 (the "**Annual Financial Statements**"). The Financial Statements, Annual Financial Statements and the "SELECTED FINANCIAL INFORMATION" and "SELECTED QUARTERLY INFORMATION" sections of the MD&A have been prepared using International Financial Reporting Standards ("**IFRS**") and all amounts are reported in Canadian dollars ("CAD") unless otherwise noted, including United States dollars (USD**")**. Additional information about the Corporation can be found on SEDAR at www.sedar.com and on GABYs corporate website at www.gabyinc.com. Readers should also read the section "CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS" contained at the end of this document. This MD&A is dated August 16, 2020.

CORPORATE PROFILE

GABY is a USA-focused, CPG company operating in the cannabis industry. GABY holds a distribution license issued by the California Bureau of Cannabis Control ("**CBCC**"). With its distribution license, long standing relationships with appellation farms and craft cannabis growers, its existing infrastructure of major retailers and an extensive broker and distribution network in the mainstream channel, GABY is positioned to bring its proprietary brands to market in both the licensed and mainstream market. GABY trades on the Canadian Securities Exchange ("**CSE**") under the symbol GABY and on the OTCQB under the symbol GABLF. As of the date of the MD&A, GABY's operations include:

Cannabis Brand and Distribution

Boutique Brand and Distributor of Cannabis flower and wellness products.

HEMP CBD Wellness

Specifically Blended CBD products utilizing the newly discovered power of Hemp Derived CBD.

Artisan Chocolates

Artisan Dark Chocolates that open your heart, while nourishing your body. All products are 100% organic, vegan, fair trade, paleo-friendly, soy & gluten free, raw & sweetened with low-glycemic coconut sugar.

Artisan Cannabis Edibles

Edibles developed to bring consumers the most full spectrum benefit that cannabis can offer, without creating unwanted side effects or intoxication. Lulu's specific ratio of cannabinoids and plentiful live cannabis terpenes work together synergistically to create a

Full Spectrum CBD Wellness

EXTRACTS WITH IMPACT — 2Rise's versatile vertical was built to offer relief for total mind and body support for a community of well-being. 2Rise is always testing more innovative ways to deliver results-driven products that suit every individual's needs.

OUTLOOK: ON THE ROAD TOWARDS POSTIVE CASH FLOW AND ACCRETIVE ACQUISIONS

As outlined in GABY's Annual MD&A, in 2019 GABY experienced growing pains in building itself into a brand building and brand acquisition public entity. In Q1 2020, Margot Micallef, added to her role of CEO, the day to day responsibility of running the operations after terminating the employment of the President and Chief Operating Officer and other senior sales and operating roles. The transition of management with an operator more versed in building a company from the ground up - while considered positive - was initially disruptive to the day to day operations. Moreover, management also had to navigate past the hangover of operational difficulties spurred by the California wildfires in Q4 2019, and in late March and beyond, around the operational difficulties complicated by COVID-19. As a result, the Q1 2020 results were disappointing for management with revenue from continued operations at $1,449,054 compared to $54,175 the same quarter last year. Although this represents a sizeable increase, all due to acquisition growth, it is not typical of what the division is capable of under "normal" circumstances. The net loss from continuing operations was $3.2 million compared to Q1 2019 of $1.5 million, and net loss including discontinued operations was $4.0 million compared to $2.4 million. The increase in the losses was primarily in respect of higher SG&A associated with the acquisitions as the cost cutting and implementation of operational efficiencies, including the shuttering of its traditional CPG operations, Gabriella's Kitchen or GK, had just commenced at the end of Q1 2020. Commencing in Q2 2020, GABY will not be incurring the loss from the discontinued operations which was $0.8 million in Q1 2020 and $0.9 million in Q2 2019.

As it often is with most adversities, comes opportunities. The slowdown associated with the social distancing and shelter in place polices caused by COVID-19, allowed management to dive deeply into its operations and to develop more efficient standard operational protocols. It also allowed GABY to hone its cost cutting measures as more fully described below.

In March 2020, GABY confirmed its commitment to focus its capital spending and investment on organic acquisitions and growth in the licensed (THC) cannabis space and the unlicensed CBD space exclusively in California. GABY relocated all operating and finance roles to California, after the positions of the COO, and the CFO and all operating and supporting staff in Canada were terminated.

Further, in early 2020, management concluded that it was not economical for GABY to continue to operate the traditional food business operating as Gabriella's Kitchen ("**GK**") in Canada, nor was it congruent with GABY's focus of leveraging its cannabis infrastructure in California. GK was therefore shuttered in March 2020. The CPG experience gained with GK has, and will translate, into GABY's continued expansion of its brands into additional points of distribution.

In further support of ongoing efficiencies and margin expansion, GABY consolidated its office and operations in Santa Rosa, California which eliminated five out of six office and warehouse leases. This included shuttering the cultivation and manufacturing licenses which removes the capital investment required to develop upstream operations. GABY also simplified its structure with rationalization of staff and lowered costs. The foregoing should result in costs savings of over $5 million on an annualized basis. In addition, GABY is changing its revenue mix towards slower growing but more sustainable higher margin business, such as the sale and self-distribution in mainstream and regulated channels of GABY's proprietary brands, more strategic procurement and synergistic third-party brand expansion. The sum of all these actions provide for more efficient operations, closer to the customer where GABY can better capitalize on its brand expertise, all while pushing GABY towards profitability.

Again, as often is the case, from necessity springs creativity. Along with the operational opportunities and cost cutting measures described above, management has been able to manage its working capital through creative arrangements. These include extension of payment terms, payments to vendors tied to receipt of payment from our customers and issuing shares for services. As a result, after Q1 2020, GABY has not required additional capital injections that were required in Q1 2020 and provided primarily from GABY's directors and officers. As outlined in the related party section below, management is committed to the vision of GABY and to its mission of becoming profitable as it contributed net new capital of approximately $1 million over Q1 2020 to bridge operational cash shortfalls on GABY's road toward sustainable free cash flow.

Finally, the fallout from COVID 19 is providing opportunities for GABY to focus on accretive acquisitions and to provide its infrastructure services to third party brands that complement its portfolio and help subsidize GABY's infrastructure costs. The infrastructure strategy GABY invested in in 2019 will help position it in 2020 with self-sufficiency and ability to scale the business and grow market share and revenue while maintaining margin. The goal is to become profitable on a run-rate basis by the end of 2020.

SELECTED FINANCIAL INFORMATION AND OVERALL PERFORMANCE

	Quarter ended March 31,		
In $	2020	2019[1]	% Change
Revenue			
Licensed segment	**1,199,605**	**54,175**	2,114
Unlicensed segment	**249,449**	**-**	n/a
	1,449,054	**54,175**	2,575
Direct inventory costs	**1,467,729**	**102,547**	1,331
Direct inventory costs as % of gross revenue	**101%**	**189%**	
Variable gross profit (loss)	**(18,675)**	**(48,372)**	(61)
Variable gross profit (loss) as % of gross revenue	**(1%)**	**(89%)**	
Gross profit (loss) after distribution and allocated indirect costs	**(223,627)**	**(94,415)**	134
Loss from operations before other gains (losses)	**(2,776,123)**	**(1,526,773)**	82
Net loss from continuing operations	**(3,161,187)**	**(1,500,226)**	111
Net loss from discontinued operations	**(839,678)**	**(879,527)**	(5)
Net loss	**(4,000,865)**	**(2,379,753)**	68
Total comprehensive loss	**(2,992,511)**	**(2,422,384)**	24
Total assets	**19,073,028**	**19,865,539**	(4)
Total non-current financial liabilities	**6,690,125**	**6,867,047**	(3)
Loss per share, basic and diluted[2]	**(0.02)**	**(0.03)**	(31)
Weighted average number of common shares – basic and diluted[1]	**222,946,438**	**91,557,072**	144

(1) As restated to reflect discontinued operations

(2) Percentage change based on unrounded earnings per share

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Segmented information:

	Licensed		Unlicensed		Total	
In $, at March 31,	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**1,199,605**	54,175	**249,449**	-	**1,449,054**	54,175
Cost of sales	**1,501,546**	149,590	**171,135**	-	**1,672,681**	149,590
Gross loss	**(301,941)**	(95,415)	**78,314**	-	**(223,627)**	(95,415)

The increase in total revenue to $1,449,054 for Q1 2020 over $54,175 is from acquisitions in 2019. The licensed revenue is comprised of $1,199,605 in respect of GABY's cannabis distribution license acquired on the Sonoma Pac acquisition April 1, 2019 which is up from $54,175 the same quarter last year in respect of its manufacturing operations. The unlicensed segment includes revenue of $249,449 from the December 31, 2019 acquisitions of Lulu's and 2Rise, which revenues amounts to $170,977 and 78,472, respectively, in Q1.

Cost of sales increased to $1,672,681 from $149,590 the same quarter last year on the increased revenue from acquisitions. The resulting gross margin was negative 23% in Q1 2020 compared to negative 176% in Q1 2019. The improvement was mainly due to having larger scale continuing operations in 2020 on the acquisition of Sonoma Pac. The gross margin in the licensed segment was negative 38% and positive 53% in the unlicensed segment.

The negative gross margin in the licensed segment for Sonoma Pac occurred due to pressure to sell at reduced margins on the heels of the California wildfires which resulted in temporary closure of Sonoma Pac's facilities and significantly reduced sales activity in the fourth quarter of 2019. With the slow down, Sonoma Pac had excess inventory of flower that it had purchased at the height of the market and was required to sell that inventory at reduced margin into Q1 of 2020. In Q2 2020 and the start of Q3 2020 sales efforts were partially incapacitated due to the shelter-in-place and social distance policies related to COVID-19. As well, pricing of raw materials temporarily spiked, due in part to lower supply pending the harvest of outdoor flower and the heightened activity in the illicit market (resulting from lower scrutiny by regulators who were temporarily furloughed or unable to travel to physically inspect properties). This pricing spike made buying new raw materials too costly to profitably process and take to market so the Corporation, respecting its commitment to focus on profitable sales, shifted its revenue mix towards the sale of its (limited) but existing inventory of slower growing but more sustainable higher margin proprietary products and third party brands, and the provision of production and other services to third-parties, utilizing its existing distribution and production infrastructure. The sum of all these actions provides for more efficient operations and use of GABY's infrastructure and shows GABY to be a resourceful and disciplined operator, committed to profitability.

Selling, general and administrative expenses ("**SG&A**") were $2.2 million in Q1 2020. The increase of $1.0 million in SG&A is in respect of the acquisitions described above and increased corporate costs to support the integration of the acquisitions. Most of the increase was in respect of salaries and benefits which increased by $0.8 million. Starting in late Q1 2020, GABY consolidated its office and operations in Santa Rosa, California which eliminated five out of six office and warehouse leases. This included shuttering the cultivation and manufacturing licenses which removes the capital investment required to develop upstream operations. GABY also simplified its structure with rationalization of staff and lowered costs. In addition, GABY is changing its revenue mix towards slower growing but more sustainable higher margin business, such as the sale and self-distribution in mainstream and regulated channels of GABY's proprietary brands, more strategic procurement and synergistic third-party brand expansion and the provision of services to efficiently utilize its existing production infrastructure.

Share-based compensation and expenses were $107,141, compared to $173,296 last year, and is down on lower stock option expense on cancellation of options. The decrease mostly reflects forfeitures of unvested options of terminated employees related to GABY's mission to streamline operations.

Depreciation of plant and equipment increased to $148,099 from $11,472 the first quarter last year mostly due to the acquisition of Sonoma Pac April 1, 2019 last year.

Significant items of Other gains (losses) as reported on the consolidated statement of losses include the following:

Foreign exchange gain (loss) on foreign exchange transactions and translation

A foreign exchange loss of $62,683 was recorded in Q1 2020 compared to a gain of $2,626 in Q1 2019. The gains and losses are in respect of settlement and translation of working capital balances and in Q1 of 2019, includes the gain on translation of share-based contingent consideration of USD 1,184,000.

Interest expense

Interest expense for the quarter was $233,442 and $24,349 in 2020 and 2019; respectively. Interest in the current period is in respect of convertible debt issued in 2019 and promissory notes issued in 2019 and 2020 and in the prior periods primarily relates to the interest accretion and accrual in respect of the convertible debentures. The increase reflects an increase in short term financing until GABY obtains longer term equity financing.

Interest income

In Q1 2019, the Corporation recorded interest income of $3,828 on advances on notes receivable of USD 375,000 from Sonoma Pac during the first quarter. The advances were made in anticipation of GABY's acquisition of Sonoma Pac on April 1, 2019 which as of that date are eliminated upon consolidation along with future interest income and expense between the two companies.

Impairment recovery in 2020

At the end of 2019, GABY recorded impairment losses in respect of three of its cash-generating units ("CGUs") based on the fair value less disposal costs. This included an estimate of net sales proceeds on the sale of certain property and equipment of the CGU of KJM which cannabis manufacturing and cultivations operations were abandoned in April 2020. Actual proceeds received on the disposal of property and equipment during the quarter came in $8,758 higher than estimated.

Penalties and interest on past due taxes in 2020

In 2019, the Corporation incurred penalties and interest charges of $231,222 in respect of excise taxes on Cannabis sales which were submitted late.

Income tax recovery

The Corporation recorded a recovery of taxes of $58,108 on pre-tax losses of $3.2 million, comprised of taxes payable of $5,346 and a deferred income tax recovery of $63,454 compared to a deferred income tax recovery of $44,442 the same quarter last year. The relatively low recovery rate in relation to the net loss reflects that loss carry forwards are subject to a valuation allowance and that for USA federal purposes, expenses other than cost of sales are not deductible.

Net loss from continuing operations

As a result of the foregoing other gains (losses) items netted against loss from operations, the net loss from continuing operations increased to $3,161,197 compared to $1,500,226 the same quarter last year.

Loss from discontinued operations

In March 2020, the Corporation shuttered its operations related to Gabriella's Kitchen ("**GK**"). Accordingly, the results of GK have been reclassified out of continuing operations as detailed in Note 17 of the Financial Statements. Although revenue was up 51% to $306,797 compared to $202,802 the same quarter last year, the gross loss after cost of sales of $327,186 was $96,094 or 42% higher on higher costs associated with the introduction of new products. This, plus a write-down of inventory of $206,317 associated with the shutdown, were more than offset by lower SG&A of $324,681 on downsizing of GK operations in 2019. As a result, the net loss from discontinued operations was $839,678 in Q1, $39,849 or 5% lower than Q2. Based on GK's annualized gross loss and SG&A in Q1, GABY stands to save approximately $2.4 million on an annual basis from shuttering these operations.

Net loss and Other comprehensive loss

The resulting net loss from continued and discontinued operations is $4,000,685 compared to $2,379,753 or up 68%. The net loss per share increased by 31% to $0.02 as the weighted average common shares outstanding for the period of 222,946,438 was up 144% over the same quarter last year.

Other comprehensive loss ("OCL") includes a foreign exchange loss on the translation of GABY's self-sustaining USA subsidiaries which resulted in the foreign exchange gain of $1,008,354 in Q1 2020 compared to a loss of $41,631 in Q1 2019. The significant swing resulted due to the acquisitions of US subsidiaries during 2019 and due to a 10% strengthening of the USD relative to the CAD. Further, in the most recent Annual Financial Statements, it was disclosed that the functional currency of one of the subsidiaries, Gabriella's Kitchen LLC, was the Canadian dollar. The functional currency was re-evaluated in 2020 and it was determined that given the change in operations of the consolidated entity, including the shift to US dollar operations and the discontinuance of the Canadian operations, the functional currency is now the US dollar effective January 1, 2020. Accordingly, the transactions and balances of Gabriella's Kitchen LLC are now translated in the same manner as the other subsidiaries. As a result of this change, the translation difference of $396,746 was included in other comprehensive income rather than a translation difference of $406,160 being included in net loss.

SELECTED QUATERLY FINANCIAL INFORMATION

CHANGES IN PRESENATION RELATED TO DISCONTINUED OPERATIONS

The prior periods for 2019 have been restated to reflect reclassifications for the discontinued operations of GK which was shuttered in Q1 2019. The prior period revenue for 2018 has also been restated to reflect reclassifications for the discontinued operations of GK; however, the net loss from continuing operations and net loss per share from continuing operations are not available as these future periods will not be presented in GABY's comparative financial statements.

REVENUE

Prior to Q4 2018, the activities of GABY were all in the unlicensed segment operating as GK. As a result of its operations being shuttered in Q1 2020, the revenue for Q1 2018 to Q3 2018 is $nil as this was the only segment that GABY operated in. In Q3 2018 GABY first entered into the licensed segment with its acquisitions of The Oil Plant ("TOP") which revenue was reported in Q1 2018 and Q1 2019. In Q2 2019 GABY acquired Sonoma Pac which resulted in the revenue increases starting in Q2 2019. The decrease in revenue in Q4 2019 and Q1 2020 reflect that Sonoma Pac was affected by the northern California wildfires which resulted in temporary closure of its facilities and significantly reduced sales activity in Q4 2019 having inventory implications which spilled over into Q1 2020.

NET INCOME

The general successive increases in net losses from Q2 2018 and in net losses from continuing operations from Q1 2019, mostly reflects increased costs required to obtain and maintain public listing obtained in August 2018 and to support GABY's organic and acquisition growth. The decrease in net loss in Q3 from Q2 mostly reflects a $2.1 million gain on contingent consideration on the Sonoma Pac acquisition as described in its Annual Financial Statements and lower SG&A of $0.9 million mostly on lower advertising and investor relation costs. The increase in net loss in Q4 over Q3 of $10.8 million mainly reflects the effect of the aforementioned $2.1 million gain the prior quarter, $6.9 million of impairment losses and a $1.3 million write-down of inventory. The $9.1 million lower loss in Q1 2020 relative to Q4 2019 is mainly due to the aforementioned impairment loss and inventory write-down and lower SG&A in Q1 2020 as GABY started to shed costs.

Note 1	**2020**	2019				2018		
In $	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	1,449,054	2,043,650	6,173,178	2,501,669	54,175	117,007	-	-
Net loss and loss per share from continuing operations:								
Net loss	(3,161,187)	(12,014,477)	(1,724,993)	(4,221,033)	(1,503,411)	Not available	Not available	Not available
Loss per share	(0.01)	(0.06)	(0.01)	(0.03)	(0.02)	Not available	Not available	Not available
Net loss and loss per share:								
Net loss	(4,000,865)	(13,088,847)	(2,347,919)	(4,971,889)	(2,379,753)	(2,763,274)	(2,107,367)	(1,879,509)
Loss per share	(0.02)	(0.07)	(0.01)	(0.04)	(0.03)	(0.03)	(0.03)	(0.03)

[1] Refer to "CHANGES IN PRESENATION RELATED TO DISCONTINUED OPERATIONS" above

FINANCIAL CONDITION

Readers should refer to the Note 1 of the Financial Statements regarding the going concern assumption in conjunction with the discussion below.

The following chart highlights significant changes in the Consolidated Statements of Financial Position from December 31, 2019 to March 31, 2020. As most of the balances are in USD translated into CAD, the accounts are affected by the foreign currency fluctuations. The foreign exchange rate of CAD to USD used to translate period end balances were 1.2964 and 1.4199 at December 31, 2019 and March 31, 2020; respectively.

Line item	Increase (decrease) in $	Primary factors explaining change in Q1 2020
Current assets	(1,373,238)	Lower cash of $0.5 million used in operations and lower inventory mainly due to the shuttering of GK operations
Property and equipment	(342,643)	Mainly due to reduction on right-of-use assets on lease terminations plus dispositions on shuttering GK operations totaling $0.7 million, depreciation of $0.2 million partially offset by foreign exchange fluctuations on translation of $0.6 million.
Intangibles and goodwill	956,654	Primarily due to higher exchange rate on translation of USD based intangibles and goodwill
Security deposit	(33,284)	Increase on translation of ending balance more than offset by application of rent owing against security deposit
Current liabilities before, promissory note payable and convertible debentures	1,096,793	Primarily increase in bank indebtedness and accounts payable while the Corporation arranged for short term and long-term financing (See "Liquidity and Capital Resources" discussion below)
Promissory notes payable	(317,903)	Issuances during the quarter more than offset by the conversion of promissory notes to share capital as described in related party transaction
Convertible debentures	4,662	Due to accrued interest
Lease liabilities	(137,805)	Increase on translation of ending balances more than offset by decreases on lease terminations and lease payments
Long-term debt	(4,803)	Increase on translation of ending balances more than offset by principal lease payments
Deferred tax liability	(34,314)	Mostly due to provision in the quarter
Equity	(1,399,141)	Primarily comprehensive loss of $3.0 million partially offset by issuance of shares of $1.5 million on debt conversion and share issuance. See Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

LIQUIDITY AND CAPITAL RESOURCES

Readers should refer to Note 1, Going Concern of the Financial Statements.

For the three months ended March 31, 2020 the Corporation had a net loss of $4.0 million and negative cash flow from operations of $1.3 million. 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 March 31, 2020 the working capital deficit was $4.2 million. The Corporation continued to incur operating losses in 2020 which were funded by a combination of issuance of: CAD demand promissory notes of $305,000; USD demand promissory notes USD 120,000; 1,170,000 common shares for $99,000 of services; and 3,033,003 common shares for $250,000 cash from a then director of GABY. These capital injections, plus management of working capital provided GABY with additional runway to also deal with the impact of the COVID-19 which had, and continues to hamper, GABY's ability to fully operate.

To stem future operating losses, GABY implemented cost cutting measures in 2020, most of which occurred in late March and April. This included shedding itself of the traditional food business and cultivation and manufacturing divisions, consolidation of its office and operations in Santa Rosa, California, which eliminated five out of six office and warehouse leases, and simplifying its structure with rationalization of staff and lowered costs. The foregoing should result in costs savings of over $5 million on an annualized basis. In addition, GABY is changing its revenue mix towards slower growing but more sustainable higher margin business, such as the sale and self-distribution in mainstream and regulated channels of GABY's proprietary brands, more strategic procurement and synergistic third-party brand expansion. The goal is to become profitable on a run-rate basis by the end of 2020.

GABY will need to raise capital to fund its operations and future growth strategy. 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. Should longer term financing take longer than anticipated, the Corporation will pivot its current operations to focus on selling its services (co-packing) and distributing third-party brands which requires less working capital investment and while allowing it to grow its proprietary brands, albeit 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.

Analysis of Cash Flows

In $	Quarter ended March 31,		
Summary of Cash Flows from:	2020	2019	Increase (decrease) in cash over prior year
Net loss	(4,000,865)	(2,379,753)	(1,621,112)
Items not involving cash	481,668	265,427	216,241
Cash flow from operations before working capital changes	(3,519,197)	(2,114,326)	(1,404,871)
Working capital changes	2,184,216	1,043,963	1,140,253
Operating activities	(1,334,981)	(1,070,363)	(264,618)
Investing activities	11,177	(536,924)	548,101
Financing activities	651,015	1,431,361	(780,346)
Foreign currency translation adjustment	27,992	(1,289)	29,281
Decrease in cash	(644,797)	(177,215)	(467,582)
Bank indebtedness, beginning of year	698,951	53,658	645,293
Cash (bank indebtedness), end of year	54,154	(123,557)	177,711

The increase in cash operating losses before working capital changes of $1.6 million is primarily due to the increased SG&A of $1.0 million on the acquisitions, higher interest costs of $0.2 million and the $0.2 million on late interest and penalties on excise tax. The increase in non-cash working capital primarily reflects reduced investment in inventory of $1.0 million with the divesting of Gabriella's Kitchen and reduced purchase of cannabis flower due to relatively high prices. As of date of the MD&A, the Corporation now has a strong supply of cannabis flower and strong demand.

The Q1 2020 investing cashflows of $11,177 primarily reflect proceeds received on the sale of plant equipment from Gabriella's Kitchen. The Q1 2019 investing activities of $536,924 mostly reflects the investment in the notes receivable to Sonoma Pacific for USD.

Operating losses and investing activities in Q1 2020 were supported by financing activities of $0.7 million primarily comprised of promissory notes, and in Q1 2019, by financing activities of $1.4 primarily by proceeds on the convertible debentures and warrants of $1.3 million, and promissory notes of $0.2 Million.

FINANCIAL INSTRUMENTS

The Corporation's current financial instruments include cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, short-term notes payable, promissory notes, and convertible debentures, and are measured at amortized cost. The carrying value of these instruments approximates 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:

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 change annual interest expense by approximately $1,325.

Credit risk

With the acquisition of Sonoma Pac effective April 1, 2019, the Corporation's exposure to credit risk changed as customers are slower paying due to the cash nature of the business. In addition, aging was affected by the disruption caused by the fires in Northern California as is reflected in the Annual Financial Statements. The Corporation is exposed to credit risk in the event of non-performance by customers. 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. 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 at each balance sheet reporting date. 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 considering historic collection trends, the contractual relationship with the customer and the nature of the customer.

Foreign currency risk

As the Corporation's operations are in Canada and the USA, it is subject to currency transaction and translation risks in respect of its USD denominated working capital of negative USD 1,239,723 (CAD 1,761,172). 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 5,233,726 (CAD 6,822,020). As at March 31, 2020, each one cent strengthening (weakening) in the USD relative to the CAD would decrease (increase) the Corporation's comprehensive loss by about $63,000. The Corporation's net exposure to foreign currency risk has not been hedged.

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.

Liquidity risk and capital management

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 and current portion of finance lease obligation 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 30 to the Annual Financial Statements. It also manages liquidity risk by continuously monitoring actual cash flows.

A further discussion of the Corporation's liquidity risk is provided above under "Liquidity and Capital Resources".

Off-Balance Sheet Arrangements

The Corporation does not have any special purpose entities nor is it party to any material arrangement that would be excluded from the balance sheet.

RELATED PARTY TRANSACTIONS

All related party transactions are reviewed by the Audit Committee of the Corporation. Note 4 to the Financial Statements sets out the amounts of related party transactions the nature of which are further outlined as below.

a) Amounts included in Selling, general and administrative expenses

Compensation of key management personnel

Certain services of C-suite executives of GABY were provided through companies controlled by certain shareholders ("**Management Entities**"). The C-suite executives, along with the Board have the authority and responsibility for directing and controlling the activities of the Corporation. Compensation for consulting and marketing services is paid to these C-suite executives for the provision of their services. The directors do not receive cash compensation for services related to the Board, but along with C-suite executives, receive share-based compensation.

Other expenses

One of the Management Entities is reimbursed for expenses incurred by it in respect of GABY's business. GABY enters into this related party transaction as the Management Entity is responsible for a number of its investment companies and can often provision the services more economically and efficiently. The Management Entity does not charge a mark-up on these expenses.

Consulting fees

The Corporation receives general capital markets and merger and acquisitions advisory services from a company controlled by a close family member of a director and officer for $15,000 per month. In 2020, these ongoing fees, plus $15,750 owing from 2019, were settled through the issuance of common shares as described in Note 11 and Note 22 of the Financial Statements.

Rent included in SG&A expenses

Starting in October of 2018, GABY sublet office space on a month-to month basis from an entity controlled by an officer and director of GABY. The entity charges rent based on the actual rent paid by it in total apportioned to GABY and others based on the percentage of square footage occupied by each party. With the move of all of GABY's operations to California in March of 2020, effective April 1, 2020, GABY no longer leases this office space.

Amounts included in interest expense

From time to time, the Corporation is and has been financed by related parties, often to bridge cash flow needs until the Corporation is able to raise equity. This support is not unusual for companies like GABY which are in the initial growth stage of the business life cycle and in the cannabis industry, where often traditional sources of financing are unavailable.

Share and promissory notes issued to directors and officers

As described in Note 12a of the Financial Statements, in January 2020, a company controlled by the CEO and co-founder of GABY's was issued 16,666,666 common shares to settle $1,083,333 owed to it. The settlement was primarily in respect of interest-bearing debt, including a USD 100,000 promissory note issued in January 2020. In 2020, the CEO also injected a further USD 120,000 and CAD 220,000 in return for 10% interest bearing promissory notes for like amounts. Further, on January 27, 2020, 3,033,003 of common shares were issued to a director of GABY for $250,000 cash and in March 2020 a close family member of a KMP advanced $85,000 in return for a 10% interest bearing promissory note. As is common for venture corporations in early stages of the business life cycle, the founder, family and directors often provide capital to support operations.

These related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Corporation adopted no new accounting policies during the quarter.

VOTING SECURITIES AND SECURITIES CONVERTIBLE INTO VOTING SECURITIES OUTSTANDING

As of the date of the MD&A, GABY had outstanding:

	Securities exercisable or convertible into Class A voting Common Shares				
	Warrants[2]	Stock Options	Special Warrants	RSUs[2]	Class A voting Common Shares[2]
Outstanding as of the date of the MD&A[1]	**80,590,766**	**6,165,000**	**4,522,634**	**8,340,000**	**230,089,915**
Number of Class A voting Common Shares issuable on the conversion or exercise of outstanding security	**80,590,766**	**6,165,000**	**6,783,951**	**8,340,000**	**101,879,717**
					331,969,632
Cash payable on exercise	$30,214,375	$1,844,425	2,216,238	$-	$34,275,038

(1) The outstanding securities reflect that 477 of the Compensation Warrants expired subsequent to December 31, 2019.
(2) Class A voting Common Shares, Warrants and RSUs outstanding at the date of MD&A reflects the issuances as described in the Subsequent Event Note of the Financial Statements.

RISK FACTORS

Reader's should refer to Risk Factors in the Corporation's December 31, 2019 MD&A.

ISSUERS WITH UNITED STATES CANNABIS-RELATED ACTIVITIES

Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities ("**Staff Notice 51-352**") provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the USA as permitted within a particular state's regulatory framework.

In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess the disclosure contained herein, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. As a result of Corporation's direct involvement in distribution of Cannabis edibles (as described herein), the Corporation is subject to Staff Notice 51-352 and accordingly provides the following disclosure.

Nature of involvement and exposure to USA cannabis-related activities:

As of March 31, 2020, the Corporation had direct involvement in USA cannabis-related activities through its assets acquired 100% owned subsidiaries: Sonoma Pac which holds a cannabis distribution license for the State of California issued by the CBCC and the acquisition in July 2019 of four use permits issued by Sonoma County: manufacturing; cultivation; nursery and distribution as well as a Provisional State License for Type 6 (non-volatile) manufacturing issued by the CBCC and an application for a cultivation license from the California Department of Food and Agriculture is in process. As described in Note 3 to the Annual Financial Statements on December 31, 2019, the Corporation acquired Lulu's, which manufactures and sells CBD infused chocolates in approximately 250 points of distribution across the United

States and THC-infused chocolates to 15 dispensaries in California and acquired 2Rise which owns a portfolio of high-quality organic CBD products including: THC-Free CBD tincture, full-spectrum tincture with turmeric or vanilla, and high potency full spectrum capsules. The disclosure contained herein reflects the Corporation's direct involvement with the USA cannabis industry as at March 31, 2020.

USA Federal Law and Enforcement

Pursuant to the above-mentioned acquisitions the Corporation derives and will continue to derive a substantial portion of its revenues from the cannabis industry in certain states of the USA, which industry is illegal under USA federal law. While some states in the USA have authorized the use and sale of cannabis, it remains illegal under federal law and the approach to enforcement of USA federal laws against cannabis is subject to change. Because the Corporation engages in cannabis-related activities in the USA, it assumes certain risks due to conflicting state and federal laws. The federal law relating to cannabis could be enforced at any time and this would put the Corporation at risk of being prosecuted and having its assets in the USA seized.

To GABY's knowledge, some form of cannabis has been legalized in 40 states and Washington, D.C., Puerto Rico and Guam as of March 2020. Additional states have pending legislation regarding the same. Notwithstanding the foregoing, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the United States Controlled Substances Act of 1970, as amended (the "**Controlled Substances Act**").

The USA federal government regulates drugs through the Controlled Substances Act, which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under USA federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the USA, and a lack of accepted safety for the use of the drug under medical supervision. The U.S. Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In 2013, the Department of Justice issued the Cole memorandum ("**Cole Memorandum**"), which instructs federal law enforcement agencies not to prosecute violations of federal drug laws related to cannabis where the activity is permitted and regulated under cannabis laws of the relevant state. Also in 2014, following the Cole Memorandum, the Financial Crimes Enforcement Network under the U.S. Treasury Department notified banks that it would not seek enforcement of money laundering laws against banks that service cannabis companies operating under state law, provided strict due diligence and reporting standards are met. While most banks continue to decline to operate under such strict requirements, a number of local banks have undertaken to service the cannabis industry with basic financial services. Since 2014, the U.S. Congress has annually passed appropriations bills that include a provision, known as the Rohrabacher-Farr Amendment, now known as the Leahy Amendment (the "**Leahy Amendment**"), which prohibits expenditure of federal budget resources on the enforcement of federal controlled substances laws that interfere with state medical cannabis programs.

In January 2018, former Attorney General Sessions rescinded the aforementioned Cole Memorandum, substituting it with a policy that assigns the enforcement of federal marijuana laws the USA Attorney(s) in each state ("**Sessions Memorandum**"). While there is a risk that these USA Attorneys and the current administration at large may seek to enforce federal drug laws against use that is now permitted under state law, the Leahy Amendment remains in force, preventing the expenditure of Department of Justice budgetary resources on such enforcement against medical cannabis companies. Additionally, Senators Gardner (R-CO) and Warren (D-MA) introduced legislation that would amend the federal Controlled Substances Act to exempt state-legal marijuana activity from its provisions. Public support in the USA for legalization of medical and adult-use cannabis continues to grow, with a majority of the public supporting legalization, which continues to spread under state law.

The Leahy Amendment was included in the fiscal year 2019 budget and will remains in effect until September 30, 2019. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution once the current continuing resolution expires. The Cole Memorandum and the Leahy Amendment gave medical cannabis operators and investors in states with legal regimes greater certainty regarding federal enforcement as to establish cannabis businesses in those states. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult-use markets across the USA. USA Attorney General Jeff Sessions resigned on November 7, 2018. As of his resignation, Matthew Whitaker was the acting USA Attorney General until William Barr was appointed as the USA Attorney General on February 14, 2019. In an April 10, 2019 Senate Appropriations Subcommittee meeting to discuss the Justice Department's budget 2020, in response to a question about his position on the proposed Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, Attorney General Barr stated: "Personally, I would still favor one uniform federal rule against marijuana," "But if there is not sufficient consensus to obtain that then I think the way to go is to permit a more federal approach so states can, you know, make their own decisions within the framework of the federal law. So we're not just ignoring the enforcement of federal law." The STATES Act, if it were to pass, would allow states to determine their own approaches to marijuana. Attorney General Barr said the legislation is still being reviewed by his office but that he would "much rather... the approach taken by the STATES Act than where we currently are." It is unclear what impact this development will have on USA federal government enforcement policy. Despite the expanding market for legal cannabis, traditional sources of financing, including bank lending or private equity capital, is lacking which is can be attributable to the fact that cannabis remains a Schedule I substance under the Controlled Substances Act. These traditional sources of financing are expected to remain scarce until the federal government legalizes cannabis cultivation and sales.

Notwithstanding the foregoing, as part of the Congressional omnibus-spending bill, Congress renewed, through September 30, 2020, the Rohrabacher-Farr Amendment, which prohibits the Department of Justice from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution once the current continuing resolution expires. Should the Rohrabacher-Farr Amendment not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon GABY or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the GABY's business, revenues, operating results and financial condition as well as the GABY's reputation, even if such proceedings were concluded successfully in favor of GABY.

Although the Corporation's activities are compliant with applicable state and local law in the USA, strict compliance with such state and local laws with respect to cannabis may neither absolve the Corporation of liability under USA federal law, nor may it provide a defense to any federal proceeding which may be brought against the Corporation.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the USA Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected.

Service Providers

As a result of any adverse change to the approach in enforcement of USA cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Corporation could suspend or withdraw their services, which may have a material adverse effect on the Corporation's business, revenues, operating results, financial condition or prospects..

Ability to Access Capital

The Corporation requires equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing through traditional banking to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Corporation's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Corporation shareholders could suffer significant dilution.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the USA Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the USA do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Corporation may have limited or no access to banking or other financial services in the USA. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned or to operate efficiently.

Anti-Money Laundering Laws and Regulations

The Corporation is subject to a variety of laws and regulations domestically and in the USA that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the USA and Canada.

In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the USA were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the Corporation's common shares in the foreseeable future, in the event that a determination was made that the Corporation's proceeds from operations (or any future operations or investments in the USA) could reasonably be shown to constitute proceeds of crime, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, the Corporation's existing operations in the USA, and any future operations or investments of the Corporation, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to operate or invest in the USA or any other jurisdiction, in addition to those described herein.

Balance sheet and operating statement exposure to USA cannabis-related activities

Below are the line items of GABY's consolidated statement of financial position and loss and comprehensive loss which contain USA-cannabis related activities:

Dollar value and proportion of Applicable Financial Statement line items which relates to USA cannabis-related activities for the period ended March 31, 2020		
Consolidated Statement of Financial Position	***$***	***%***
Cash	141,419	76
Accounts receivable	1,819,408	86
Inventories	400,356	67
Prepaid expenses and deferred costs	214,293	29
Property and equipment	7,015,171	100
Intangible assets and goodwill	6,645,484	81
Security deposits	22,463	10
Total assets	16,258,593	81
Accounts payable and accrued liabilities	3,031,954	56
Income taxes payable	49,389	84
Long term debt	261,290	100
Lease liabilities	6,458,040	100
Deferred tax liability	312,880	100
Total liabilities	10,113,653	70
Consolidated Statement of Loss and Comprehensive Loss	***$***	***%***
Total revenue	1,199,606	83
Loss from operations[1]	1,167,358	42

[1] Before line items as described in the Consolidated Statement of Loss and Comprehensive Loss

Compliance with State Licensing and Regulatory Frameworks

The Corporation obtains legal advice from its counsel regarding the compliance with applicable state regulatory frameworks and potential exposure and implications arising from federal law of the USA.

Program for Monitoring Compliance and Disclosure of Material Non-Compliance

The following sections present an overview of market and regulatory conditions for the cannabis industry in USA states in which the Corporation is directly involved and is presented as of March 31, 2020, unless otherwise indicated. Although the Corporation's activities are compliant with applicable USA state and local law, strict compliance with state and local laws with respect to cannabis would neither absolve the Corporation of liability under USA federal law, nor provide a defense to any federal proceeding which may be brought against the Corporation.

California

In 1996, California voters approved Proposition 215 (the "Compassionate Use Act"), allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system, but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act". In 2016, California voters passed "The Adult Use of Marijuana Act", which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combined California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) CalCannabis, a division of the California Department of Food and Agriculture, issued licenses to cannabis cultivators; (2) the Manufactured Cannabis Safety Branch issues licenses to cannabis manufacturers; and (3) the California Department of Consumer Affairs, via its agency the CBCC, issues licenses to cannabis distributors, testing laboratories, retailers and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and updated them with revisions in June 2018 (the "Readopted Emergency Regulations"). The three agencies also released the first draft of their permanent rulemakings in July 2018 and the second draft of their permanent rulemakings in October 2018, which are currently undergoing the rulemaking process (the "Proposed Non-Emergency Regulations"). The Readopted Emergency Regulations will remain in effect until the Proposed Non-Emergency Regulations are formally completed. All three agencies began issuing temporary licenses in January 2018 and are currently evaluating annual license applications. To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure from all three state licensing agencies, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. California has not set a limit on the number of state licenses an entity may hold, unlike other states that have restricted how many cannabis licenses an entity may hold in total or for various types of cannabis activity. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

As of the reporting date of March 31, 2020, the Corporation was directly involved in the manufacturing and distribution of cannabis in California through Sonoma Pac and the licenses and permits acquired through asset acquisition in respect of KJM. Both KJM and Sonoma Pac have represented to the Corporation that their respective businesses were conducted in compliance with the regulatory framework enacted by the State of California. Following the respective acquisitions, KJM and Sonoma Pac have operated in compliance with all applicable California laws, regulations, and guidelines. Sonoma Pac has been subject to site visits by the CBCC during 2019 and all minor non-conformances noted have been rectified as of the date of this document. Effective March 2020, GABY abandoned the KJM four use permits issued by Sonoma County: manufacturing; cultivation; nursery and distribution.

Below is an overview of some of the principal license types issued in California (each of which can be issued with a Medical (M-Class) or Adult-Use (A-Class) designation):

Type 7: authorized to manufacture cannabis products using volatile solvent extractions.

Type 6: authorized to manufacture cannabis products using mechanical or non-volatile solvent extractions.

Type N: authorized to manufacture cannabis products (other than extracts or concentrates) using infusion processes but does not conduct extractions.

Type P: authorized to only package or repackage cannabis products or relabel the cannabis product container.

Each of the above manufacturing license types is inclusive of the types in the list below it. For example, a Type 7 licensee would be able to perform Type 6, N or P tasks. A Type 6 license could perform Type N or P tasks. A Type N licensee would be able to perform Type P tasks. In addition to these four licenses, MCSB is developing a fifth license type, Type S, for shared-use manufacturing facilities. This license type will be for businesses and facility owners that alternate use of a manufacturing premises.

Type 8: authorized to test the chemical composition of cannabis and cannabis products.

Type 9: authorized to conduct retail cannabis sales exclusively by delivery.

Type 10: authorized to sell cannabis goods to customers.

Type 11: authorized to transport and store cannabis goods purchased from other licensed entities and sell them to licensed retailers, and responsible for laboratory testing and quality assurance to ensure packaging and labeling compliance.

Type 13: authorized to transport cannabis goods between licensed cultivators, manufacturers, and distributors.

Local Licensure, Zoning and Land Use Requirements

To obtain a state license, cannabis operators must first obtain local authorization, which is a prerequisite to obtaining state licensure. All three state regulatory agencies require confirmation from the applicable locality that an applicant is in compliance with local requirements and has either been granted authorization to, upon state licensure, continue previous cannabis activities or commence cannabis operations. One of the basic aspects of obtaining local authorization is compliance with all local zoning and land use requirements. Local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. Some localities have limited the number of authorizations an entity may hold in total or for various types of cannabis activity. Others have tiered the authorization process, granting the initial rounds of local authorization to applicants that previously conducted cannabis activity pursuant to the Compassionate Use Act or those that meet the locality's definition of social equity. Sonoma Pac was granted full zoning and use permits by Sonoma County on March 14, 2019.

Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history and personal disclosures for all owners. Any criminal convictions or civil penalties or judgments occurring after licensure must promptly be reported to the regulatory agency from which the licensee holds a license. State licenses must be renewed annually. Disclosure requirements for local authorization may vary, but generally tend to mirror the State of California's requirements. Licensees must also keep detailed records pertaining to various aspects of the business for up to seven years. Such records must be easily accessible by the regulatory agency from which the licensee holds a license. Additionally, licensees must record all business transactions, which must be uploaded to the statewide traceability system once the system has been implemented by CalCannabis.

Operating Procedure Requirements

Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with California's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Site Visits & Inspections

Sonoma Pac will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the State of California, without satisfying and maintaining compliance with state and local law. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure. Sonoma Pac has been subject to site visits by the CBCC during 2019 and all minor non-conformances noted have been rectified as of the date of this document.

Compliance Procedures

Since its inception, Sonoma Pac has retained industry experts in California cannabis law, as local outside counsel to oversee and monitor compliance with USA. state law on an ongoing basis. These experts in the field keep Sonoma Pac fully informed of regulatory changes and recommend standard operating procedures to facilitate the implementation and maintenance of compliant operations, required tracking and license reporting. The Corporation will continue to work closely with the advisors to develop and improve its internal compliance program and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework. The internal compliance program, including the update of operational procedures and use of checklists, requires continued monitoring by managers and executives of the Corporation to ensure all operations conform with legally compliant standard operating procedures. In anticipation of future growth, the Corporation is investigating a number of software solutions developed specifically for the cannabis industry to allow for automation of both internal as well as third-party compliance auditing, covering all state and municipal, facility and operational requirements to maintain licensing criteria. Sonoma Pac is required to report and disclose to the Corporation all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them. Sonoma Pac and KJM have been in compliance with the regulatory requirements as they have unfolded throughout 2019 and 2020.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws ("**forward-looking statements**"). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Corporation. In addition, the Corporation may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Corporation that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words and includes, among others, information regarding: expectations for the effects of any transactions; expectations for the potential benefits of any transactions; statements relating to the business and future activities of, and developments related to, the Corporation after the date of this MD&A, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Corporation's business, operations and plans; expectations that planned acquisitions will be completed, including but not limited to other potential acquisition(s); expectations that licenses applied for will be obtained; potential future legalization of adult-use and/or medical cannabis under USA federal law; expectations of market size and growth in the USA, California and such other states in which the Corporation has expressed desire to operate in; expectations for other economic, business, regulatory and/or competitive factors related to the Corporation or the cannabis industry generally; and other events or conditions that may occur in the future. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of and at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Corporation are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Corporation at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the available funds of the Corporation and the anticipated use of such funds; the availability of financing opportunities; legal and regulatory risks inherent in the cannabis industry; risks associated with economic conditions, dependence on management; risks relating to USA regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Corporation, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to the management of growth; increasing competition in the industry; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effecting service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; as well as those risk factors discussed under "Risk Factors" described in the Annual Financial Statements.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this MD&A as well as statements regarding the Corporation's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry, its medical, adult-use and hemp-based CBD markets, and the general expectations of the Corporation concerning the industry and the Corporation's business and operations are based on estimates prepared by the Corporation using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this MD&A. Such forward-looking statements are made as of the date of this MD&A. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Corporation's forward-looking statements are expressly qualified in their entirety by this cautionary statement.