GABY Inc.

Management's Discussion & Analysis
September 30, 2021

FOREWORD

The following is Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of GABY Inc. ("**the Corporation, "The Company**" or "**GABY**") for the three and nine months ended September 30, 2021 and 2020. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Corporation and accompanying notes for the three and nine months ended September 30, 2021 ("**Q3 2021**") and 2020 ("**Q3 2020**") (the "**Financial Statements**") and the audited consolidated financial statements of the Corporation and accompanying notes as at and for the years ended December 31, 2020 and 2019 (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 November 23, 2021.

NON-GAAP MEASURES: GABY refers to Adjusted EBITDA from continuing operations. This measure is not defined under IFRS and is considered non-GAAP measures. This measure does not have a standardized meaning and may not be comparable to similar measures presented by other issuers and should not be viewed as a substitute for measures reported under IFRS. This financial measure is reconciled to IFRS in the section titled "NON-GAAP DISCLOSURE" towards the end of this document.

CORPORATE PROFILE

As of the date of the MD&A, GABY is a holding company with USA subsidiaries, with the most significant being Miramar Professional Services ("**Miramar**" or "**MPS**") (acquired in April 2021) and its subsidiary Wild West Industries ("**Wild West**" or "**WWI**") (collectively, "**Mankind**") which operate in the cannabis industry and are both located in San Diego, CA. In addition, Miramar holds a retail storefront license and WWI holds distribution and manufacturing licenses, all issued by the California Bureau of Cannabis Control (now the Department of Cannabis Control ("**DCC**")). Mankind is one of only a few retailers in the San Diego County region with an operating distribution and manufacturing arm. With the foundation of the Mankind dispensary and the expertise of the management team, GABY plans to acquire additional dispensaries and continue to roll out its proprietary brands in Mankind and in other dispensaries it may acquire, as well as to third party dispensaries within California. GABY also owns CBD brands and sells those brands in the mainstream market and on-line. 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:

GABY

A California Cannabis Retail Consolidator
Built on a Multi-Vertical Foundation

OUTLOOK - INTEGRATION AND CONSOLIDATION

Consistent with the Company's announcement in the fourth quarter of 2020 of its intent to acquire 100% of Miramar and to complete a capital raise coincident therewith, GABY closed a brokered private placement, together with a non-brokered private placement of units of the Corporation (the "**Q1 Financing**") for aggregate gross proceeds of $12.7 million on February 5th, 2021 and closed the Miramar acquisition (the "**Miramar Transaction**") effective April 1, 2021 pursuant to regulatory approval of the Miramar Transaction.

Miramar acquisition effective April 1, 2021

Miramar operates a retail cannabis business in San Diego, California operating under the name *Mankind* and owns Wild West Industries, Inc., a California licensed cannabis distributor and manufacturer, which launched its first in-house cannabis brand, Kind Republic, in January of this year.

Mankind operates under Miramar's Type 10 cannabis retail license issued by the DCC and is one of the highest-volume cannabis retailers in California. Mankind offers cannabis goods to medical and recreational consumers through its storefront, curbside pickup, and delivery channels. It is predominately a reseller of goods produced by other companies but also sells its proprietary brands – an opportunity that management has prioritized for growth.

WWI operates its manufacturing business under a Type 6 non-volatile manufacturing license. As a result of the consolidation of the Company's manufacturing business in San Diego, WWI now provides manufacturing services to its parent company, Miramar, as well as to third party licensed cannabis companies for their own use or for resale. It also operates a Type 11 distribution license for the exclusive benefit of its parent company. WWI is operated as a stand-alone business from Miramar's retail operation and charges a market fee for its services.

Total consideration paid to the shareholders of Miramar in April 2021 included 157,894,737 common shares of GABY, USD $5.0 million cash (CAD 6.3 million), and a secured non-convertible promissory note for USD $25.5 million (the "**Notes**"). The purchase agreement also calls for working capital adjustments which are still being finalized, with any resulting adjustment accommodated through a corresponding adjustment of the interest payments on the Notes.

Integration

Since closing the Miramar Transaction, GABY has been working on integrating and streamlining Mankind operations. Specifically, management has:

1. Onboarded several key positions including – Simon Lileikis as President (**Starbucks**), Marshall Minor as CFO (**Shryne Group/STIIIZY**), and Rick Foltz as Director of Retail Ops (**Art of Shaving, Nike**).

2. Implemented Approximately $3 million in annual savings commencing in Q4 -21 through payroll savings and operating cost efficiencies with the benefit of the mapping project and other corporate analysis.

3. Realized logistics improvements at its distribution operation, WWI, improving inventory turns, and reducing most inventory on hand down from 45 days to 20 days towards the end of Q3 2021.

4. Restructured its delivery business by extending delivery hours, expanding the fleet and reach of the business to meet existing demand, which is anticipated to increase annual revenue by $1 million starting Q4 2021.

5. Established foundation for consolidation by creating an operations manual by which acquired dispensaries will operate - similar to a franchise model.
6. Strategically remerchandised for greater influence over consumer buying decisions giving priority to higher margin and proprietary products and facilitating expansion of basket size. Every $1 increase in average basket size adds approximately $300,000 in additional annual revenue.
7. Commenced using marketing analytics to target consumers with more effective messages and promotional programs of particular interest to them
8. Implemented departmental budgets which integrate the synergies of the acquisition of Mankind and requires all new spends to establish an expected return on investment before being approved.
9. Substantially completed the mapping of the decision-making processes and deliverables in each department to identify redundancies, inefficiencies, risk, and improvements in communication and collaboration with other departments.
10. Reviewed and is revising the Standard Operating Procedures (SOPs) with the benefit of the mapping project so as to create an operation manual by which all dispensaries (current and future) will operate (much like a franchise model).
11. Recently closed Santa Rosa based Sonoma Pacific Distribution Inc. ("Sonoma Pac" or "SPD") and moved distribution and manufacturing to WWI.

In addition, GABY has implemented an operating strategy whereby it leverages the retail relationships Mankind has with its suppliers for the benefit of its other operations, namely, manufacturing, and procurement. Specifically:

a) GABY encourages its suppliers to use the third-party manufacturing services of WWI to enable it to harvest additional margin from this vertical.
b) Further, GABY is in negotiations with cultivators who have launched, or are interested in launching their own proprietary brands, to exchange shelf space for better wholesale pricing of flower and biomass for its proprietary retail brands.

Finally, GABY launched its proprietary brands onto Mankind shelves with a mandate to grow its proprietary products on shelf to between 20% and 30%, subject to product category. On January 1, 2021, Mankind launched this same strategy of giving priority to its proprietary brands. Since then, proprietary brands of flower represented approximately 20% of all flower sold in Mankind and achieved a variable gross margin of approximately 75%. The goal is for proprietary brands to represent 30% of all flower sales.

Consolidation
GABY's overarching strategy is to consolidate dispensaries in California, to replicate the synergies from its vertical platforms of manufacturing, distribution and dispensaries and to generate horizontal synergies of having multiple dispensaries replicating efficient operational procedures.

The California cannabis culture is unique and is a well-established phenomenon which must be balanced with rigorous operational and financial controls to ensure success in the industry. GABY has effectively integrated Mankind and realized significant synergies- all while being sensitive to the need to preserve those California cannabis traditions, its community impact and its positive company culture.

To that end, GABY has built a pipeline of potential acquisition targets which are at varying stages of discussion and negotiation and will apply the same rigors of analysis described above to future acquisitions with the aim of fully integrating such operations into the *GABY operational platform*, again while preserving the valuable culture of California cannabis.

To date the cultural and community-based initiatives executed at Mankind include:

- Empowering employees as owners by offering Restricted Stock Units in all employee compensation packages enabling all full-time employees of the Company to become owners.
- The launching of Mankind's "Plant. People. Planet." initiative, which inspires mutual action between employees and customers through fundraising and community involvement efforts. Current charity partners include The Last Prisoner Project, Cannabis for Conservation, and The Brahman Project.
- The launching of Mankind's "Tree Planting Initiative" - which plants a tree together with the Eden Project, for every purchase made at Mankind.
- The development of internal education and idea sharing initiatives, bringing executives, managers, and entry level staff together to ensure channels for communication exist at all levels.

Success in cannabis hinges on understanding the uniqueness of the dispensary ecosystem, and how to best balance operational efficiency with cultural, employee, and consumer needs.

SELECTED FINANCIAL INFORMATION

	Quarter		YTD	
	2021	2020	**2021**	2020
Revenue	**$9,530,505**	$806,699	**$24,213,436**	$2,995,955
Direct inventory costs	**5,516,892**	678,471	**15,597,276**	2,717,994
Direct inventory costs as % of gross revenue	**57.9%**	84.1%	**64.4%**	90.7%
Variable gross profit	**4,013,613**	128,228	**8,616,160**	277,961
Variable gross profit as % of gross revenue	**42.1%**	15.9%	**35.6%**	9.3%
Gross profit (loss) after distribution and allocated indirect costs	**3,741,708**	22,497	**7,922,731**	(179,336)
Gross profit %	**39.3%**	2.8%	**32.7%**	-6.0%
Adjusted EBITDA from continuing operations[1]	**552,185**	(1,337,675)	**582,675**	(5,332,430)
Loss from continuing operations before other income (expense)	**(194,904)**	(1,547,010)	**(1,212,457)**	(5,919,139)
Net loss from continuing operations	**(4,294,335)**	(1,390,964)	**(8,390,430)**	(6,239,458)
Net loss from discontinued operations	**--**	(145,116)	**--**	(1,095,648)
Net loss	**(4,294,335)**	(1,536,080)	**(8,390,430)**	(7,335,106)
Total comprehensive loss	**(3,345,716)**	(1,692,909)	**(8,025,049)**	(6,778,169)
Total assets			**67,732,647**	5,036,633
Total non-current financial liabilities			**41,028,751**	776,353
Loss per share, basic and diluted	**($0.01)**	($0.01)	**($0.02)**	($0.03)
Weighted average number of common shares – basic and diluted	**662,093,055**	230,330,565	**493,426,437**	227,236,571

(1) See Non-GAAP Disclosure towards end of this document

OVERALL PERFORMANCE

The Miramar Transaction effective April 1, 2021, accounts for substantially all the improvements in financial performance for the quarter and nine-months ended September 30, 2021 ("**YTD**") over the comparative periods last year. Revenue of $9.5 million and $24.2 million for the quarter and nine months increased $8.7 million and $21.2 million, respectively, with the Miramar transaction. Variable gross profit improved to $4.0 million (42.1% margin) from $0.1 million (15.9% margin) for the quarter and to $8.6 million (35.6% margin) from $0.3 million (9.3% margin) YTD, largely due to sales of high margin retail products at Mankind versus lower margin wholesale product at SPD. Accordingly, and due to retail operations of Mankind having minimal indirect costs compared to SPD operations, gross profit improved to $3.7 million (39.3% margin) from $0.02 million (2.8% margin) and to $7.9 million (32.7% margin) from negative $0.1 million (-6.0% margin) for the quarter and YTD, respectively.

As the Miramar transaction was a fundamental change in its business, management believes that a comparison of operating results Q3 over Q2 is more meaningful as follows. The decrease in revenue from $11.3 million in Q2 to $9.5 million in Q3 is substantially due to the winddown of the Company's low margin operations, including the self-distribution business operated by SPD and reduced bulk flower brokerage sales. Variable gross profit margin improved from 38% in Q2 to 42% in Q3 and gross profit margin improved from 35% in Q2 to 39% in Q3 partially due to the decrease in lower margin bulk flower sales in Q2. Excluding SPD, gross profit improved to $4.3 million or 50% of revenue in Q3 compared to $4.0 million or 46% of revenue in Q2. The improved gross margin over the previous quarter reflects that Miramar sold a higher percentage of its proprietary brand, Kind Republic™, which inherently has higher margins.

SG&A expenses of $3.3 million in Q3 2021 increased $1.9 million compared to the same quarter last year and by $2.3 million to $7.6 million on a YTD basis. These higher costs are primarily due to the SG&A inherited on the Miramar acquisition, while the YTD increase was partially offset by lower SG&A of $1.4 million due to cost-cuts introduced mid Q2 2020 after the rationalization of SPD and corporation overhead.

While the Miramar Transaction resulted in significant improvements over the comparative periods last year and over the first two quarters of 2021, management still anticipates greater synergies going forward. In August 2021, the Company consolidated two distribution entities into a single hub in the Company's new headquarters in San Diego. GABY has continued to rationalize its asset base and has shed approximately $3 million in annual operating costs, the benefit of which will be realized starting in Q4 2021 and will continue to find opportunities to cut further costs and generate additional revenue, thereby improving Adjusted EBITDA and net income in the future. In addition, management believes its consolidation and integration strategy will further enhance operational synergies of the Miramar Transaction.

The higher volume of revenue and higher gross margins, net of higher SG&A associated with Miramar operations, resulted in the improvement of Adjusted EBITDA from continuing operations to $0.5 million from negative $1.3 million for the quarter and to $0.6 million from negative $5.3 million on a YTD basis. The decrease in Adjusted EBITDA from continuing operations from $0.9 million in Q2 to $0.6 million in Q3 was substantially due to the increase in operating losses of SPD, which was wound down during Q3.

The net loss of $4.3 million for the quarter is $2.8 million higher than the same quarter last year due to an increase in non-cash items, transaction costs and other items of expense (recovery) of $2.8 million as detailed in the table below. The net loss from continuing operations for the quarter excluding these items was $1.4 million, or $0.1 higher than the same quarter last year as higher gross profit of $1.8 million contributed from the Miramar transaction was more than offset by higher interest expense of $1.0 million on the Notes issued on the Miramar transaction and increased income taxes of $0.9 million on higher US federal income taxes on higher gross profit. The net loss for Q3 2021 was hampered by an increase in the gross loss of SPD of $0.4 million over the same quarter last year as its operations were wound down. Management expects that with the consolidation of the distribution hub in San Diego and further operational rationalizations detailed above, that loss from operations should improve by over $0.8 million per quarter staring in Q4 2021**.**

The YTD net loss of $8.4 million is $1.1 million higher than the same period last year. Adjusting for non-cash items, transaction costs and other items of expense (recovery) of $4.3 million as detailed in the table below and the prior year's loss from discontinued operations of the frozen food division of $1.1 million, the YTD net loss from continuing operations excluding these items was $3.6 million or an improvement over the same period last year of $2.2 million. The $2.2 million improvement is due to an increase in gross profit, net of SG&A of $5.8 million (comprised of $3.7 million contributed from the Mankind acquisition, lower SG&A of $1.4 million due to cost-cuts introduced mid Q2 2020 as described above plus $0.7 higher gross margin of $0.7 million in SPD over Q1 2020 as it transitioned to higher margin sales) partially offset by higher interest expense of $1.8 million on the Notes issued on the Miramar transaction and higher income tax expense of $1.8 million on higher US federal income taxes on higher gross profit.

The resulting loss per share for the quarter of $0.01 was unchanged from Q3 2020 as the 180% increase in the net loss was offset by a 187% increase in the total weighted average common shares over the same quarter last year. The YTD loss per share improved to negative $0.02 per share compared to negative $0.03 the same period last year

due to the reduced YTD net loss and increase in total weighted average common shares of 117% over the same period last year.

	QTD			YTD		
In Canadian dollars	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Net loss	(4,294,335)	(1,536,080)	(2,758,255)	(8,390,430)	(7,335,106)	(1,055,324)
Add back tnon-cash items and transactions costs:						
Transaction costs on Miramar transaction	-	-	-	1,213,046	-	1,213,046
Impairment loss (recovery) - 2021 reflects writedown of SPD Type 11 License	1,014,880	-	1,014,880	1,014,880	(12,338)	1,027,218
Foreign exchange loss - increase in 2021 primarily in respect of translation of USD denominated Notes issued on Miramar transaction	718,716	(13,754)	732,470	493,286	22,919	470,367
Share based compensation - 2021 increase mainly reflects RSUs issued to all Miramar employees whereas prior periods include stock option recoveries on forfeitures on staff rationalizations mid Q2 2020	435,728	148,353	287,375	1,099,910	182,745	917,165
Depreciation of plant and equipment - increase in 2021 reflects increased amortization of right-of-use assets acquired on Miramar transaction	215,098	28,044	187,054	436865	282,211	154,654
Other items of expense (recovery) (see Note 25 of Financial Statements) - increase over 2021 primarily due to inventory writedowns on consolidating two distribution entities into single hub compared to 2020 which include income from government assistance	472,516	(134,586)	607,102	574,391	37,453	536,938
Sub-total of non-cash items, transaction costs and other items of expense (recovery)	**2,856,938**	**28,057**	**2,828,881**	**4,832,378**	**512,990**	**4,319,388**
Net loss adjusted for non-cash items, transaction costs and other items of expense (recovery)	**(1,437,397)**	**(1,508,023)**	**70,626**	**(3,558,052)**	**(6,822,116)**	**3,264,064**
Add back discontinued operations of frozen food division	0	145,116	(145,116)	0	1,095,648	(1,095,648)
Net loss from continuing operations adjusted for non-cash items, transaction costs and other items of expense (recovery)	**$ (1,437,397)**	**$ (1,362,907)**	**$ (74,490)**	**$ (3,558,052)**	**$ (5,726,468)**	**$ 2,168,416**

Composition of Net loss from continuing operations adjusted for non-cash, transaction costs and other items of expense (recovery):

	QTD			YTD		
In Canadian dollars	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Gross profit excluding SPD substantially contributed from Miramar acqusitions	4,261,769	99,488	4,162,281	8,335,480	371,287	7,964,193
Gross loss of SPD wound down in Q3 2021	(520,061)	(76,991)	(443,070)	(412,749)	(550,623)	137,874
Gross profit - 2021 increase substantiallly contributed from Miaramar acquisition	3,741,708	22,497	3,719,211	7,922,731	(179,336)	8,102,067
SG&A	(3,285,786)	(1,393,110)	(1,892,676)	(7,598,413)	(5,274,847)	(2,323,566)
Gross profit, net of SG&A	**455,922**	**(1,370,613)**	**1,826,535**	**324,318**	**(5,454,183)**	**5,778,501**
Interest expense - increase in 2021 primarily reflects Notes issued on Miramar transaction	(1,081,476)	(72,549)	(1,008,927)	(2,272,449)	(446,438)	(1,826,011)
Income taxes - increase in 2021 reflects higher US federal income tax expense on higher gross profit	(812,295)	80,255	(892,550)	(1,610,954)	174,153	(1,785,107)
Interest income	452	-	452	1,033	-	1,033
	(1,437,397)	**(1,362,907)**	**(74,490)**	**(3,558,052)**	**(5,726,468)**	**2,168,416**

SELECTED QUARTERLY FINANCIAL INFORMATION

The Miramar transaction on April 1, 2021 was considered a fundamental change and therefore, the quarters prior thereto are not representative of GABY's future operations. In addition, the self-distribution operations of SPD were terminated and all distribution and manufacturing services were consolidated into WWI in August of 2021. Moreover, the Corporation no longer services SPD's low margin brokerage contracts for sale of bulk flower. Based on the foregoing, the analysis of operations will focus on Q3 2021 onwards.

Note 1	**2021**			2020				2019[1]
In $	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	9,530,505	11,271,030	3,411,901	1,075,591	806,699	740,202	1,449,054	1,900,111
	Net loss and loss per share from continuing operations:							
Net loss	(4,294,335)	(1,576,265)	(2,519,830)	(6,589,384)	(1,390,964)	(1,687,307)	(3,161,187)	(12,002,310)
Loss per share	(0.01)	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.06)
	Net loss and loss per share:							
Net loss	(4,294,335)	(1,576,265)	(2,519,830)	(6,655,508)	(1,536,080)	(1,798,161)	(4,000,865)	(13,088,848)
Loss per share	(0.01)	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)	(0.02)	(0.07)

[1] The prior periods for 2019 have been restated to reflect reclassifications for the discontinued operations of GK which was discontinued in Q1 2020.

REVENUE

The substantial increase in revenue starting in Q2 2021 reflects the acquisition of Miramar March 1, 2021. Prior thereto, it included the operations of SPD and from Q1 2020, included revenue from the acquisition of Lulu's and 2Rise on December 31, 2019.

The decrease in revenue from $11.3 million in Q2 to $9.5 million in Q3 is substantially due to the winddown of SPD and reduced bulk flower brokerage sales. Although revenue decreased Q3 over Q2, variable gross profit margin improved from 38% in Q2 to 42% in Q3 and gross profit margin improved from 35% in Q2 to 39% in Q3 partially due to the decrease in lower margin bulk flower brokerage sales in Q3. Excluding SPD, gross profit improved to $4.3 million or 50% of revenue in Q3 compared to $4.0 million or 46% of revenue in Q2. The improved gross margin over the previous quarter reflects that Miramar sold a higher percentage of its proprietary brand, Kind Republic™, which inherently has higher margins.

NET LOSS

The $13.1 million loss in Q4 2019 mainly reflects an impairment loss of $6.9 million and $1.3 million write-down of inventory at SPD. The reduced loss of $4.0 million in Q1 2020 mainly reflects the aforementioned impairment loss and inventory write-down. The lower net loss of $1.8 million in Q2 2020 compared to $4.0 million in Q1 2020 reflects cost saving initiatives introduced in Q2 2020 which continued into the remainder of 2020. The increase in net loss of $5.1 million in Q4 2020 over Q3 2020 is primarily a result of impairment losses of $4.7 million recognized in Q4. The net loss in Q1 2021 of $2.5 million includes $1.1 million of transaction costs on the acquisition of

Miramar. The lower net loss in Q2 2021 of $1.6 million mostly reflects increased operating income from the Miramar Transaction net of the increased interest on the Notes issued in respect of the Miramar Transaction, increased income tax expenses on taxable income and increased share-based compensation. The higher net loss of $2.7 million in Q3 2021 over Q2 2021 primarily reflects the impairment loss of $1.0 million on the SPD's Type 11 distribution license and higher foreign exchange loss of $1.1 million mostly on translation of USD 25.5 Notes issued on Miramar Transaction, with the remaining decrease mostly due to the shutdown of SPD resulting in higher operating losses and inventory write-downs.

FINANCIAL CONDITION

Readers should refer to 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, 2020, to September 30, 2021. As most of the balances are in USD translated into CAD, the accounts are affected by foreign currency fluctuations. The foreign exchange rates of CAD to USD used to translate period end balances were 1.2752 and 1.2686 on December 31, 2020 and September 30, 2021; respectively, and 1.2575 at April 1, 2021 (Mankind acquisition date).

Line item	Increase (decrease) in $Millions	Primary factors explaining change in Q3 YTD 2021
Total assets	62.7	Increase in cash of $3.5 million and $57.5 million on long-term assets from the result of the Miramar Transaction (mostly attributed to goodwill and the value of the acquired cannabis licenses).
Total liabilities	50.4	Increase in liabilities largely due to the financing obligations and assumption of liabilities related to the Miramar Transaction.
Equity	12.3	Increase primarily reflects share issuances related to the Miramar Transaction and the Q1 Financing.

LIQUIDITY AND CAPITAL RESOURCES

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

For the three months ended September 30, 2021, the net loss was $4.3 million, but cash flow generated from operating activities was $0.6 million. As of September 30, 2021, working capital was negative $6.2 million, which is attributable to accounts payable of shuttered operations totaling $6.7 million comprised of $4.0 million in SPD and $1.7 million from the discontinued frozen food operations. GABY is working on arrangements which will likely result in a much lower settlement of these liabilities. To further service the working capital deficit, management will harvest further synergies from the acquisition of Miramar and WWI as follows:

- through the implementation of its consolidation strategy;
- the recent closure of its Santa Rosa facilities;
- the cost cuts implemented in Q3 2021 at Miramar and WWI;

- additional cost cuts anticipated from further efficiency analysis at its distribution facility, including:
  - the shortening of inventory turns;
  - the simplification of inventory intake and outtake processes; and
  - the restructuring of its supplier relationships to require them to deliver inventory in a *retail ready* manner;
- the reaping of additional margins on its current and anticipated new proprietary brands through its self-manufacturing and self-distribution of its proprietary products and the sale of same into its proprietary retail channel;
- enhancing the performance of its omni-channel platform (especially delivery and curbside); and
- continuing the streamlining of shared overhead costs.

Management believes these activities, in conjunction with prudent management of working capital, will enable GABY to support operations over the next year and beyond.

The USD $25.5 million Notes issued April 1, 2021, in respect of the Miramar Transaction have a term of seven years, an annual coupon rate of 10% with balloon payments every 24 months of USD $5.0 million and a final balloon payment of USD $10.5 million on maturity. Quarterly interest payments are limited to $500,000. Accrued and unpaid quarterly interest in excess of the limit is brought current every two years in conjunction with the principal payment schedule. Interest is not charged on the unpaid interest in excess of the limit of $500,000. GABY may prepay all or any portion of the promissory note without penalty. It is anticipated that GABY will either generate sufficient cashflows from the implementation of its consolidation strategy to service future balloon payments of principal, to fund growth of its operations and its future growth strategy, including future acquisitions as part of its retail consolidation strategy or it will need to raise capital to fund all or a portion thereof. 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.

Analysis of Cash Flows

Summary of Cash Flows from:

	Quarter Ended September 30,			YTD Ended September 30,		
	2021	2020	Change	**2021**	2020	Change
CF from Ops before working capital changes	**($419,328)**	($1,475,725)	$1,056,397	**($3,115,443)**	($6,661,403)	$3,545,960
Working capital changes	**1,021,575**	1,230,346	(208,771)	**64,531**	4,992,688	(4,928,157)
Operating activities	**602,247**	(245,379)	847,626	**(3,050,912)**	(1,668,715)	(1,382,197)
Investing activities	**73,049**	24,434	48,615	**(2,034,130)**	101,583	(2,135,713)
Financing activities	**(1,072,938)**	282,890	(1,355,828)	**8,513,984**	835,472	7,678,512
Foreign currency translation adjustment	**69,437**	(23,972)	93,409	**31,491**	3,681	27,810
Increase (decrease) in cash	**(328,205)**	37,973	(366,178)	**3,460,433**	(727,979)	4,188,412
Cash, beginning of year	**3,891,446**	(67,001)	3,958,447	**102,808**	698,951	(596,143)
Cash, end of period	**3,563,241**	(29,028)	3,592,269	**3,563,241**	(29,028)	3,592,269

Cash flow from operations before working capital changes improved by $1.1 million and $3.5 million QTD and YTD, respectively, primarily due to cash flow generated from the Mankind operations. Q2 cash flow from working capital changes decreased by $0.2 million largely due to servicing working capital deficit acquired on Mankind acquisition

and on a YTD basis, decreased $4.9 million mostly due to partial use of proceeds from the non-brokered private placement in Q1 to settle accounts payable.

The increase in use of cash used in financing activities of $1.4 million in Q3 over the same quarter last year mostly reflects the servicing of the debt issued and assumed on the Mankind Transaction, whereas the same quarter last year reflected interim financing proceeds of $0.3 million. Cash flow from financing activities on a comparative YTD basis is $7.7 million higher which reflects the subscription receipts from the Q1 Financing net of increased service costs on servicing the debt issued and assumed on the Mankind transaction.

The comparative quarters and YTD 2020 nominal investing activities primarily reflect proceeds on sales on property and equipment on rationalizing operations, whereas the YTD 2021 cash used of $2.0 million mostly reflects the cash portion of the Miramar Transaction of $2.1 million (USD 1.7 million comprised of USD 5.0 million cash consideration less USD 3.3 million cash acquired on acquisition).

FINANCIAL INSTRUMENTS

The nature, extent, risk and use of the Corporations financial instruments prior to the Miramar Transaction are described in the Annual Financial Statements. In conjunction with the Miramar Transaction, the company incurred additional indebtedness for a USD 25.5 million note with 10% interest (paid quarterly) that matures in April 2028.

Interest rate risk

All of the Corporation's borrowings are at fixed rates, and therefore the Corporation is not subject to interest rates risk in respect of its financial instruments.

Credit risk

In $, Balance comprised of:	Sep 30, 2021	Dec 31, 2020
Trade accounts receivable	**749,301**	888,369
GST receivable	**13,713**	68,055
Other accounts receivable	**639,960**	-
Sub-total before allowance	**1,402,974**	956,424
Allowance for doubtful accounts	**(340,477)**	(345,317)
	1,062,497	611,107
Aging of receivables:		
30 days	**722,214**	177,852
60 days	**4,733**	9,483
90 days	**24,132**	42,397
Over 90 days	**651,895**	726,692
	1,402,974	956,424

The Corporation is exposed to credit risk in the event of non-performance of customers. Trade accounts receivable of $0.7 million net of allowance for doubtful accounts of $0.3 million are primarily in respect to SPD which was wound down in Q3 2021 and which net amount should come down over time as final collections are received. Collection of receivables in wholesale distribution of SPD is slower due to the cash nature of the business. Management does not believe that it has significant credit risk associated with its trade accounts receivable.

The allowance for doubtful accounts is recorded based on an estimated percentage of each aging bucket that will not ultimately be collected. Accounts that have no activity for one year or more are generally allowed for at 100%. The remaining amount in the over 90 days bucket after removing amounts allowed for at 100% is then allowed for at 25%, along with varying smaller percentages being applied to the other aging buckets.

As it relates to the Miramar Transaction, there is no additional significant credit risk with customers as retail transactions are satisfied at the point of sale.

The balance of Other accounts receivable of $639,960 as at September 30, 2021 primarily consists of the amount receivable under the Mankind purchase agreement relating to the net working capital adjustment, which will be applied against future quarterly interest payments on the note payable to the former shareholders of MPS, subject to a limit of USD 150,000 per quarter. As the Corporation has a right of set-off, it believes it has little, if any, credit risk in respect of this balance.

Foreign currency risk

The Corporation conducts almost all of its operations in USD through its US subsidiaries; however, the Corporation is domiciled in Canada and historically and currently the Corporation translates its financial statements into CAD as described in its accounting policy note of the Annual Financial Statements. As its US subsidiaries are considered self-sustaining, foreign exchange gains and losses arising on translation are recognized in other comprehensive income or loss. On the other hand, translation gains and losses on USD denominated financial instruments of the Canadian parent, GABY Inc. are recognized as profit or loss.

With the issuance of the USD 25.5 million Notes on the Miramar transaction, the Corporation net income is subject to significant fluctuations from translating into CAD each period. For each one cent weakening/strengthening of CAD to USD, the net loss increases/decreases by $255,000. This is effectively mirrored by an opposite recovery/charge to comprehensive income on the translation of the equity of self-sustaining subsidiaries as evidenced by the current quarter's foreign exchange loss of $718,716 and the more than offsetting exchange difference on translation of $948,619 recognized as comprehensive income. Effectively the USD debt is hedged by its net investments in its US subsidiaries.

Other price risk

The Corporations' 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. The Corporation's accounts payable and accrued liabilities, income taxes payable, short-term notes payable, promissory notes payable, convertible debentures, and current portions of lease liabilities and long-term debt are due within one year. The degree to which the Corporation is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to improve cash flows from operations.

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

As further described in Liquidity and Capital Resources, with the continued harvesting of synergies from the Miramar Transaction, the Corporation is mitigating its liquidity risk. Management believes these activities, in conjunction with prudent management of working capital, will enable GABY to support operations over the next year and beyond.

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 9 to the Financial Statements sets out the amounts of related party transactions, the nature of which are further outlined as below.

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 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, which has been satisfied in shares.

Contract service fees

The Corporation receives marketing consulting services controlled by a close family member of a director and officer for $5,000 per month. These services ended October 2021.

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.

In conjunction with the acquisition of Miramar, certain leases personally guaranteed by the former shareholders of Miramar were assumed by a director and officer of GABY. Pursuant thereto, this director and officer is paid a guarantee fees of 2% per annum of the guarantee amount. The guarantee fee rate is considered a fair market rate for the personal risk taken on by the director and officer. The guarantee fee may be made in cash or shares at the option of the guarantor. To date it has been paid in shares.

Promissory notes, convertible debentures and accounts payable and accrued liabilities owing to related parties

As is common for venture corporations in early stages of the business life cycle, the founder, family and directors often provide bridge financing and may also defer compensation and incur out-of-pocket expenses on behalf of the corporation 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

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements with the exception of the following policies adopted or adjusted in the current period due to applicability of additional items as a result of the Mankind acquisition:

Deferred revenue

The Corporation records deferred revenue for rewards points earned by customers at time of product sales and recognizes the amounts as revenue when those points are redeemed. Points outstanding for which the customer has not made a purchase for more than one year are recognized as revenue on the assumption that the points will not be redeemed. The Corporation also includes outstanding gift cards in deferred revenue.

Income taxes

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

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

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current. As the Corporation operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to the cost of producing the products or cost of production. The Corporation applies IFRIC 23, Uncertainty over income tax treatments, which is reflected in the following accounting policy.

The Corporation recognizes uncertain income tax positions using a probability-weighted approach to determine the amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense.

VOTING SECURITIES AND SECURITIES CONVERTIBLE INTO VOTING SECURITIES OUTSTANDING

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

Designation of Securities	Number of instruments outstanding as of date of MD&A[1]	Number of Common Shares Issuable upon Conversion or Exercise
Common Shares	678,948,954	678,948,954
Warrants[2]	263,119,567	263,119,567
Options	4,875,000	4,875,000
Restricted Share Units	45,461,664	45,461,664
Broker Warrants – issued February 2021[2]	7,992,569	15,985,138
Total Fully Diluted Capital		1,008,390,323

(1) Reflects 13,042,850 common shares and 6,250,000 $.09 Warrants issued after September 30, 2021
(2) Options, Warrants and Brokers warrants are currently not in-the-money as of September 30, 2021.

RISK FACTORS

Readers should refer to Risk Factors in the Corporation's December 31, 2020 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 the 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

The Corporation had direct involvement in USA cannabis-related activities through its 100% owned subsidiary, Sonoma Pac (since discontinued), which held a Type 11, cannabis distribution license, Miramar which holds an annual provisional Type 10 retail license and WWI which holds an annual provisional Type 6 non-volatile manufacturing license for the State of California issued by the DCC.

Regulatory Overview

Pursuant to the above-mentioned involvement in USA cannabis-related activities, the Corporation derives and will continue to derive a substantial portion of its revenues from the cannabis industry in the state of California, 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, presently 36 states, four out of five permanently inhabited USA territories, as well as the District of Columbia, have legalized medical cannabis. Thirteen other states have laws that limit THC content, for the purpose of allowing access to products that are rich in CBD, a non-psychoactive component of cannabis. The recreational use of cannabis is legal in 19 states, the District of Columbia, the Northern Mariana Islands, and Guam. Notwithstanding the foregoing, marijuana remains illegal under USA federal law with marijuana listed as a Schedule 1 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 August 2013, the US administration attempted to address the inconsistencies between federal and state regulation of cannabis and issued the Cole Memorandum ("Cole Memorandum"), which outlined certain priorities for the Department of Justice ("DOJ") relating to the prosecution of cannabis offences. The Cole Memorandum instructed the DOJ to not prosecute violations of federal drugs laws related to cannabis activity in states where laws had been enacted legalizing cannabis in some form and where strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis had been implemented. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, a non-exhaustive list of which was enumerated therein.

In January 2018, former Attorney General Sessions rescinded the aforementioned Cole Memorandum and directed all US Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities (the "Sessions Memorandum"). There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No discretion was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

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.

While there is a risk that these US Attorneys and the current administration at large may seek to enforce federal drug laws against use that is now permitted under state law, as described below, 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.

In July 2020, a House subcommittee introduced a base appropriations bill with the Leahy Amendment included. The Leahy Amendment was then renewed through a series of stopgap spending bills throughout 2020 and on December 27, 2020, it was renewed effective through September 30, 2021. 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; however, should the Leahy Amendment not be renewed 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 GABY's business, revenues, operating results and financial condition as well as GABY's reputation, even if such proceedings were concluded successfully in favor of GABY.

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."

On January 7, 2021, President Joe Biden announced Judge Merrick Garland as his nominee for the next U.S. Attorney General. On January 20, 2021, Robert M. Wilkinson replaced Jeffrey A. Rosen as the Acting Attorney General while Judge Garland seeks confirmation from the U.S. Senate. Neither interim Attorney General Jeffrey A. Rosen nor Robert M. Wilkinson have provided a clear policy directive for the United States as it pertains to state-legal marijuana-related activities. On March 11, 2021, Judge Garland was sworn in as Attorney General of the United States. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland will re-adopt the Cole Memorandum or announce a substantive marijuana enforcement policy. 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 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.

Compliance with State Licensing and Regulatory Frameworks

The Corporation will continue to obtain legal advice from its counsel regarding 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 which the Corporation is directly involved, of which at the date of this document comprises the state of California. 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.

California Regulatory Landscape

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").

On July 12, 2021 in an effort to streamline cannabis regulation in California the three agencies that regulated cannabis at the state level namely: (1) CalCannabis, a division of the California Department of Food and Agriculture, which issued licenses to cannabis cultivators; (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, which issued licenses to cannabis manufacturers; and (3) the California Department of Consumer Affairs, via its agency the Bureau of Cannabis Control, which issued licenses to cannabis distributors, testing laboratories, retailers and micro-businesses, merged to form the Department of Cannabis Control. The DCC also oversees the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system.

In May 2018, the then cannabis regulatory bodies agreed to re-adopt their emergency cannabis regulations. These authorities proposed changes to the regulatory provisions to provide greater clarity to licensees and to address issues that had arisen since the emergency regulations went into effect in December 2017. One of the included changes was that applicants may now complete one license application which allow for both medical and adult-use cannabis activity. These emergency cannabis regulations were officially readopted and came into effect in June 2018. In January 2019, the Office of Administrative Law officially approved state regulations for cannabis businesses. The final cannabis regulations took effect immediately and superseded the previous emergency regulations.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local approval is a prerequisite to obtaining state licensure from the DCC 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 September 30, 2021, the Corporation was directly involved in the distribution of cannabis in California through its direct and indirect subsidiaries Miramar and WWI. Miramar is directly involved in operating a cannabis dispensary, through its Type 10 cannabis retail outlet operations, and through its subsidiary, WWI, which holds a provisional annual license for Type 6 (non-volatile) manufacturing and a provisional annual license for distribution of adult-use and medicinal cannabis regulated by the DCC. The businesses of Miramar and WWI have been conducted in substantial compliance with the regulatory framework enacted by the State of California.

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. Miramar and WWI each hold full zoning and use permits from the City of San Diego.

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 METRC, the state-wide traceability system selected by California to track commercial cannabis activity.

Operating Procedure Requirements

Applicants must submit standard operating procedures ("T&T System") 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. Each licensee is required to assign an account manager to oversee the T&T System. The account manager must be fully trained on the system and is accountable to record all commercial cannabis activities accurately and completely. The licensee should correct any data that is entered into the T&T System in error within three business days of discovery of the error.

Site Visits & Inspections

As a condition of obtaining a state license, 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 licenses.

Miramar and WWI each receive annual site visits from the DCC.

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 federal government. 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. The Corporation and its operating subsidiaries current bank with State owned cannabis friendly banks. However, there is no guarantee that these banks will continue to provide banking services to cannabis companies and as a result, the Corporation may have limited or no access to banking or other financial services in the USA. If the Corporation lost its ability to open or maintain bank accounts, it may become 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

As at September 30, 2021, most of GABY's financial statement line items are highly related to USA cannabis related activities and as of April 1, 2021, with the acquisition of Miramar, almost all of its activities and applicable financial statement line items will be USA cannabis related.

Retail Compliance

California requires that certain warnings, images, and content information to be printed on all marijuana packaging. DCC regulations also include certain requirements about tamper-evident and child-resistant packaging. Both distributors and retailers are responsible for confirming that products are properly labeled and packaged before they are sold to a customer.

Corporation's Compliance Procedures

Since its inception, GABY's subsidiaries have 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 GABY's subsidiaries 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. All subsidiaries are required to report and disclose to the Corporation all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them. Miramar and WWI are in substantial compliance with regulatory requirements.

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 ongoing 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 ongoing 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 some level of dilution.

NON-GAAP DISCLOSURE

Adjusted EBITDA from continuing operations is used by management and investors to analyze the Company's profitability based on the Company's principal business activities regardless of how: these activities are financed; assets are depreciated and amortized, and results are taxed in various jurisdictions or subject to entity specific tax planning. It therefore excludes interest expense, taxes, depreciation, and items which management considers are not related to operational performance of its core businesses. In addition, Adjusted EBITDA provides an indication of the Company's ongoing ability to service its debt, income taxes and capital expenditures and therefore excludes non-cash expenses.

Below is a reconciliation of the non-GAAP measure Adjusted EBITDA from continuing operations:

	Quarter		YTD	
	2021	2020	**2021**	2020
Net loss from continuing operations:	**(4,294,335)**	(1,390,964)	**(8,390,430)**	(6,239,458)
Add (subtract):				
Income tax expense (recovery)	**812,295**	(80,255)	**1,610,954**	(174,153)
Depreciation of plant equipment (COGS and operating)	**311,361**	60,982	**695,222**	403,964
EBITDA	**(2,089,203)**	(1,337,688)	(3,811,805)	(5,563,209)
Adjustments:				
Share-based compensation and expenses	**435,728**	148,353	**1,099,910**	182,745
Other (income) expense	**3,287,136**	(75,791)	**5,567,019**	494,472
Adjusted EBITDA from continuing operations	**552,185**	(1,337,675)	**582,675**	(5,332,430)

Adjusted EBITDA from continuing operations is compared to net loss from continuing operations, the closest comparable IFRS measure. To arrive at Adjusted EBITDA, the following items are excluded from net loss from continuing operations as follows:

1) Income tax expense (recovery) is added back as it is reflective of taxation jurisdiction or entity-specific tax planning, not related to core operational performance.
2) Depreciation and amortization, as they are non-cash charges and not indicative of operational performance.
3) Share-based compensation, which is a non-cash expense.
4) Other income (expenses) as follows:
    a. Items related to financing decisions, including timing of payments and application for government assistance:
       Gain (loss) on conversion of debt
       Gain (loss) on disposal of assets
       Gain on lease termination
       Interest expense
       Penalties and interest on past-due taxes
    b. Items that are not related to core operations and are not indicative of operational performance:

Foreign exchange loss
Interest income
Impairment losses (recovery)
Transaction costs
Other expenses, including write-offs of inventory for non-operational reasons (plant closure etc.)

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. 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.