

## **FORM 7**

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: Gabriella's Kitchen Inc. (the "Issuer" or "GABY").

Trading Symbol: GABY

Number of Outstanding Listed Securities: 109,114,583

Date: June 5, 2019

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report 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 Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report 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 items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the 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.

## Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

### *\$10 Million Private Placement Offering of Units*

On May 3, 2019, GABY announced that it had entered into an agreement with a syndicate of agents co-lead by GMP Securities L.P. and Haywood Securities Inc., and including Echelon Wealth Partners Inc., and Sprott Capital Partners (collectively, the "Agents"), pursuant to which the Company will issue on a marketed, "best efforts" private placement basis, up to C\$10,000,000 of Units (the "Units") of the Company at a price of C\$0.30 per Unit (the "Offering Price") (the "Offering"). Each Unit will consist of one common share (a "Common Share") and one-half common share purchase warrant of the Company (a "Warrant"). Each full Warrant will be exercisable to acquire one Common Share (a "Warrant Share") for a period of two years following the Closing Date (as hereinafter defined) of the Offering at an exercise price of C\$0.38 per share, subject to adjustment in certain events.

Pursuant to the terms of the offering, the Agents have been granted an option (the "Option") to arrange for the sale, at the Offering Price, additional Units up to 25% of the Units sold under the Offering. The Option is exercisable by the Agents at any time up until 48 hours prior to the Closing Date. The net proceeds from the Offering will be used for capital expenditures, potential acquisitions, brand and sales investment, working capital, and general corporate purposes.

### *Acquisition of Lulu's Chocolates*

On May 16, 2019, GABY announced that it had entered into a letter agreement with Louise (Lulu) Sharpe, the founder and President of Raw Chocolate Alchemy LLC (d.b.a Lulu's Chocolates) to acquire all of the issued and outstanding securities of Lulu's Chocolates, including its wholly owned subsidiary, Lulu's Medicinals LLC (d.b.a Lulu's Botanicals) (together, the two companies are referred to as "Lulu's") (the "Transaction").

Lulu's Chocolate endeavors to blend gourmet with healthy, creating 100% organic, raw, vegan chocolate. Lulu's sources its wild harvested, heirloom cacao from Ecuador and sweetens it with low glycemic coconut sugar.

Lulu's CBD infused chocolates are sold in approximately 250 mainstream grocery stores and its traditional chocolates are sold in an additional 200 mainstream grocery stores across the United States, including Whole Foods Market in Northern California and Arizona. In addition, Lulu's THC infused chocolates are sold in 35 dispensaries across California.

**GABY will purchase Lulu's for US\$1 million payable in common shares of GABY ("GABY Shares"). The shareholders of Lulu's will be eligible to receive further performance-based equity compensation equal to 0.5 times the amount by which 2019 revenue exceeds 2018 revenue and 0.25 times the amount by which 2020 revenue exceeds the greater of 2018 and 2019 revenue. The GABY Shares to be issued on closing of the Transaction will be valued at the volume weighted average price ("VWAP") of GABY Shares on the Canadian Securities Exchange ("CSE") for the 5-day period ending on the date the Transaction was announced. The GABY Shares issued as part of the Transaction will be subject to a three-year escrow period with staged releases over the three year time frame. The GABY Shares to be issued as part of the performance-based compensation will be valued at the VWAP of GABY Shares on the CSE for the 5 consecutive trading day period calculated 30-days after the date the respective 2019 and 2020 consolidated audited financial statements for GABY are filed on SEDAR.**

**On closing of the acquisition, GABY intends to appoint Lulu Sharpe as the Vice-President, Development of GABY's Edibles and Confectionary Division reporting directly to Jamie Fay, the President and Chief Operating Officer of GABY.**

**Completion of the Transaction is subject to, among other things, the negotiation and execution of a mutually agreeable definitive acquisition agreement and related documents and the satisfaction or waiver of any conditions precedent to the consummation of the Transaction (including the receipt of any requisite regulatory and third-party approvals).**

2. Provide a general overview and discussion of the activities of management.

**GABY's management continued sales and marketing efforts applicable to its products.**

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**Please refer to question #1 above for further information.**

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**No products or services were discontinued in the month of May 2019.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint

venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**Please refer to question #1 above for further information.**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**No material expiry or termination of contracts or cancellation of any financing arrangements occurred in the month of May 2019.**

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**Please refer to question #1 above for further information.**

8. Describe the acquisition of new customers or loss of customers.

**No material acquisition of new customers or loss of customers occurred during the month of May 2019 that would be outside of the ordinary course of business.**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

**No new developments or effects on intangible products occurred during the month of May 2019 other than as may occur in the ordinary course of business.**

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

**As per question #1 above, on closing of the acquisition, GABY intends to appoint Lulu Sharpe as the Vice-President, Development of GABY's Edibles and Confectionary Division reporting directly to Jamie Fay, the President and Chief Operating Officer of GABY.**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**No labour disputes or resolutions occurred during the month of May 2019.**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

**No legal proceedings to which GABY became a party occurred during the month of May 2019.**

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**Not applicable.**

14. Provide details of any securities issued and options or warrants granted.

**No securities were issued in May 2019.**

15. Provide details of any loans to or by Related Persons.

**No loans were provided to or by Related Persons in the month of May 2019.**

16. Provide details of any changes in directors, officers or committee members.

**As per question #1 above, on closing of the acquisition, GABY intends to appoint Lulu Sharpe as the Vice-President, Development of GABY's Edibles and Confectionary Division reporting directly to Jamie Fay, the President and Chief Operating Officer of GABY.**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

**On October 17, 2018, the use of recreational cannabis became legal in Canada however, edible cannabis products have not yet been legalized for sale in Canada. The government of Canada has stated that edible cannabis shall become legal no later than October 17, 2019.**

**Cannabidiol was removed from Schedule I of the Controlled Substances Act in the United States on December 11, 2018, under the Agriculture Improvement Act of 2018.**

## 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 Certificate of Compliance.
2. As of the date hereof, there was no new material information concerning the Issuer which had 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 7 Monthly Progress Report is true.

Dated June 5, 2019

Leanne E. Likness, Corporate Secretary

*“Leanne E. Likness”*

<b><i>Issuer Details</i></b>	For Month End	Date of Report
Gabriella's Kitchen Inc.	May 2019	June 5, 2019
Issuer Address		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
200, 209 - 8th Avenue SW, Calgary, Alberta T2P 1B8	N/A	(800) 674-2239
Contact Name	Contact Position	Contact Telephone No.
Margot Micallef	Founder and CEO	(800) 674-2239
Contact Email Address	Web Site Address	
IR@gabriellas-kitchen.com	<a href="http://www.gabriellas-kitchen.com">www.gabriellas-kitchen.com</a>	