

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: GABY Inc. (the “Issuer”, “GABY”, or the “Company”).

Trading Symbol: GABY

Number of Outstanding Listed Securities: 665,621,042

Date: December 7, 2021

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.

GABY Inc. is a California-focused retailer with its own proprietary brands in the market. GABY has relationships with over 500 retailers in the mainstream sales channel, and over 200 in the licensed channel, bridging the gap between the licensed dispensary and mainstream markets. A pioneer in the industry with a multi-vertical retail foundation, GABY owns a significant majority of its supply channels, including manufacturing, distribution, and retail. GABY is an employee-owned company, with 100% of full-time employees owning shares in the Company.

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

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

On November 24, 2021, GABY announced third quarter revenue of \$9.5 million and gross profit of \$3.7 million compared to \$806.7 thousand and \$22.5 thousand, respectively, the same quarter last year.

Gross margin for the period continues to expand with a Company-record 39.3% compared to 2.8% the same quarter last year. Adjusted EBITDA from continuing operations¹ improved to \$0.6 million from negative \$1.3 million the same quarter last year. The improvements were attributable to the higher volumes and margins generated from the acquisition of Mankind Dispensary on April 1, 2021. In addition, the improved gross margin reflects a higher percentage sale of Mankind Dispensary's proprietary brand, Kind Republic™, which inherently has higher margins.

For the third quarter of 2021 the net loss of \$4.3 million for the quarter is \$2.8 million higher than the same quarter last year primarily due to an increase in non-cash items, transaction costs and other items of expense (recovery) being \$2.8 million while the improvement in Adjusted EBITDA from continuing operations of \$1.9 million was offset by higher interest of \$1.1 million mostly due to the Notes¹ issued on the Miramar Transaction and higher income tax expense of \$0.8 million.

¹ "Notes" refers to the secured non-convertible promissory note for US\$25.5 million issued by the Company in connection with the acquisition of Miramar Professional Services which owns and operates Mankind Dispensary.

In August 2021, the Company terminated the operations of Sonoma Pacific Distribution (“SPD”) including its low margin wholesale brokerage operations and consolidated all distribution efforts into a single hub in its new headquarters in San Diego.

The closure of SPD’s low margin operations resulted in lower revenue of \$9.5 million in Q3 down from \$11.3 million in Q2. 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 again, primarily due to the decrease in lower margin bulk flower brokerage sales in Q3. Excluding the now discontinued wholesale brokerage business operated by Sonoma Pacific Distribution, gross profit improved to \$4.3 million or 50% of revenue in Q3 compared to \$4.0 million or 46% of revenue in Q2.

With the closure of SPD and additional synergies going forward at Mankind Dispensary, management believes the Company will continue to grow its top line revenue and gross margins. GABY has continued to rationalize its asset base and has shed approximately \$3 million in annual operating costs commencing Q4-2021 and will continue to seek out 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.

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.

N/A

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.

N/A

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.

N/A

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.

N/A

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.

N/A

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

N/A

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.

N/A

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

N/A

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

N/A

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.

N/A

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

N/A

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

N/A

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

N/A

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

N/A

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

N/A

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 December 7, 2021

Leanne E. Likness, Corporate Secretary

“Leanne E. Likness”

<i>Issuer Details</i>	For Month End	Date of Report
GABY Inc.	November 2021	December 7, 2021
Issuer Address		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
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