

Gabriella's Kitchen to Acquire 25,000 SF State-of-the-Art California Facility to Accelerate Product Development and Production

SANTA ROSA, California and CALGARY, July 25, 2019 /CNW/ - Gabriella's Kitchen Inc. ("**GABY**" or the "**Company**") (CSE: **GABY**) (OTCQB: **GABLF**), a U.S.-focused CPG company operating in the regulated cannabis sector in California as well as the mainstream grocery channel nationally, today announced the signing of definitive documents to acquire all of the issued and outstanding membership interests (the "KJM Shares") of KJM Data and Research, LLC ("KJM") (the "Transaction").

The Transaction will enable GABY to: increase its manufacturing and co-packing footprint by more than three times its current size; produce a portion of its own inputs for flower and biomass; establish a licensed kitchen for the expansion of edibles production; and supply its internal brands and partner brands with unique and high value cannabis genetics.

Highlights

- KJM currently has a 25,000 square foot leased facility (the "Facility"), located less than one mile from GABY's current Santa Rosa facility.
- The Facility is zoned for all cannabis-related activities other than retail and type 7 (volatile) manufacturing. KJM currently has approval from Sonoma County for four licenses: manufacturing; cultivation; nursery; and distribution. A Provisional State License for Type 6 (non-volatile) manufacturing is also in place.
- With this new Facility, GABY expects to be able to supply 10% of its base needs for biomass. Thus ensuring a steady access to high quality inputs to enable it to continue its strong expansion.
- Shawn Ripley has joined the Company as Consulting Chief Science Officer with a focus on accelerating product development focused on the California market.

Margot Micallef, Founder & CEO of GABY commented, "Our team has a proven track record of developing, marketing and selling branded consumer products at scale and in partnership with some of the most recognizable retail banners in North America. The Transaction we announced today will enable our organization to effectively and rapidly enter its next phase of growth in the most exciting adult-use cannabis market in the world. Sonoma County is the ideal place to build a footprint to supply the U.S. as adult-use legalization continues to gain traction across the country. Sonoma is both the gateway to the emerald triangle, one of the most renowned cannabis production areas in the world and situated with quick access to bay-area transit routes and large retail markets, enabling both near and long-term growth and scale".

"With this Transaction, GABY is set to triple its manufacturing and co-packing footprint while ramping edibles production and establishing high value cultivation both for our internal brands and third-party partner brands." she added.

Ms. Micallef concluded, "We are very excited to have Shawn Ripley join our team and expect his proven track record of developing and commercializing adult-use cannabis products to meaningfully accelerate our efforts in California."

Transaction Details:

GABY will immediately acquire 80% of the issued and outstanding KJM Shares for a purchase price of USD\$400,000, less any debt, contingent or otherwise outstanding at closing the ("Purchase

Price") and has the right to purchase the remaining 20% of KJM Shares, subject to certain licensing milestones and other conditions, in exchange for the grant of a two-year warrant for USD\$200,000 worth of GABY common shares at an exercise price to be established at the closing price of GABY common shares on the Canadian Securities Exchange on the day prior to the closing date of the remaining 20% of the KJM Shares. GABY has also agreed to enter a seven-year lease on the Facility upon closing of its acquisition of the KJM Shares. The Company will also hold two five-year rights of renewal.

Shawn Ripley

Shawn Ripley is a proven scientific leader that has focused on both developing and commercializing products for various consumer markets in the U.S. and Canada. Mr. Ripley has deep cannabis sector experience. Most recently, he founded and was the CEO of EFX Laboratories ("EFX"), which was focused on providing de non-smokable predictable dosage formats of cannabis for medical patients in Canada. Under Mr. Ripley's direction, EFX purchased 6% of Broken Coast Cannabis, one of Canada's first licensed producers and lead EFX teams to develop Super Critical Fluid extracts, two-piece capsules and MCT based delivery systems. Aphria Inc., one of Canada's largest LPs purchased Broken Coast in 2018.

About Gabriella's Kitchen Inc.

GABY is a U.S.-focused, consumer packaged goods company operating a *house of brands* in the cannabis industry and in the mainstream grocery channel. Through its subsidiaries GABY indirectly holds a number of licenses and permits issued by the California Department of Health, the California Bureau of Cannabis Control and the County of Sonoma respectively, including manufacturing, distribution, cultivation and nursery licenses. With these licenses and permits to operate in the cannabis channel, and its existing infrastructure of major retailers and an extensive broker and distribution network in the mainstream channel, GABY has successfully brought a number of its proprietary, acquired and third-party brands to market in both the licensed and mainstream market.

Margot and her sister Gabriella co-founded GABY after Gabriella received a dire cancer diagnosis which spurred the sisters to prolong Gabriella's life through a holistic approach to health. Today, GABY is a wellness company with a diverse range of products that use cannabis and hemp derived CBD to address a variety of dietary and health concerns. Although Gabriella ultimately passed away from her illness, she lived exponentially longer than doctors predicted. Her memory and passion live on through GABY's mission: to empower people to live healthy lives without compromise.

GABY's shares trade on the CSE under the symbol "GABY" and on the OTCQB under the symbol "GABLF". For more information, visit www.GABYInc.com

Disclaimer and Forward-Looking Information

The CSE does not accept responsibility for the adequacy or accuracy of this release. Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond the control of the Company. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Forward looking statements include, but are not limited to, the anticipated closing of additional acquisitions by the Company, the continued growth and expansion of the Company's operations, and the receipt of regulatory approvals, including the approval of the CSE. The Company assumes no obligation to update forward-looking statements, whether as a result of new

information, future events or otherwise, except as required by applicable law.

Certain of GABY's subsidiaries hold cannabis licenses in the State of California. Unlike in Canada which has Federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act (Federal), readers are cautioned that in the United States ("U.S."), cannabis is largely regulated at the State level. Cannabis is legal in the State of California however cannabis remains illegal under U.S. federal laws. Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. To the knowledge of the Company, the business of each of GABY's licensed subsidiaries are conducted in a manner consistent with the State law of California and are in compliance with regulatory and licensing requirements applicable in the State of California. However, readers should be aware that strict compliance with State laws with respect to cannabis will neither absolve GABY, or any of its subsidiaries of liability under U.S. federal law, nor will it provide a defense to any federal proceeding in the U.S. which could be brought against any of GABY, or any of its subsidiaries. Any such proceedings brought against GABY, or its subsidiaries may materially adversely affect the Company's operations and financial performance generally in the U.S. market specifically.

Neither the Canadian Securities Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.

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