FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: GABY INC. (the “Issuer”).

Trading Symbol: GABY

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

General Instructions

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

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

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

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

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

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

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

The interim financial statements for quarterly period ended March 31, 2022 are attached as Schedule "A" (the "Interim Financial Statements").

SCHEDULE B: SUPPLEMENTARY INFORMATION

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

1. Related party transactions

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

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

See attached Schedule "B".

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

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

(a) summary of securities issued during the period,

See attached Schedule "B".

(b) summary of options granted during the period,

See attached Schedule "B".

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

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

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

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

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

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

See attached Schedule "B".

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

See attached Schedule "B".

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Certificate Of Compliance

The undersigned hereby certifies that:

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

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

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

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

Dated May 30, 2022

Leanne Likness

Name of Director or Senior Officer

"Leanne E. Likness"

Signature

Corporate Secretary
Official Capacity

Issuer Details Name of Issuer GABY Inc.	For Quarter Ended March 31, 2022	Date of Report YY/MM/D May 30, 2022
Issuer Address 200, 209 - 8th Avenue SW,		
City/Province/Postal Code Calgary, Alberta T2P 1B8	Issuer Fax No. N/A	Issuer Telephone No. (800) 674-2239
Contact Name Leanne Likness	Contact Position Corporate Secretary	Contact Telephone No. (800) 674-2239
Contact Email Address likness@telus.net	Web Site Address www.gabyinc.com	

GABY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS ENDED
MARCH 31, 2022 AND 2021
(in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

GABY INC.

Condensed Interim Consolidated Statements of Financial Position

In Canadian dollars	Note	**(Unaudited) March 31, 2022**	(Audited) December 31, 2021
ASSETS			
Current			
Cash		**3,005,977**	4,067,501
Accounts receivable		**132,336**	160,309
Inventories		**1,235,958**	1,341,670
Prepaid expenses		**396,782**	473,332
Other current asset		**421,620**	617,098
		5,192,673	6,659,910
Non-current			
Property and equipment	4	**7,465,377**	7,852,838
Intangible assets and goodwill	5	**45,877,046**	46,762,512
Other assets		**4,597,169**	4,619,787
Total assets		**63,132,265**	65,895,047
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	**5,089,988**	8,218,198
Income taxes payable		**3,421,723**	3,275,150
Deferred revenue		**342,579**	275,150
Short-term note payable		**18,734**	18,984
Promissory note payable	9	**254,932**	265,200
Convertible debentures	9	**471,116**	526,116
Current portion of lease liabilities		**748,466**	744,046
Current portion of long-term debt		**330,682**	679,325
		10,678,220	14,002,169
Non-current liabilities			
Lease liabilities		**7,626,011**	7,917,728
Long-term debt		**32,986,940**	33,270,179
Other liabilities		**6,661,228**	6,817,163
Total liabilities		**57,952,399**	62,007,239
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	11	**63,836,734**	63,638,128
Contributed surplus	10,11	**8,756,348**	8,491,777
Deficit		**(66,633,082)**	(68,180,733)
Accumulated other comprehensive loss		**(780,134)**	(61,364)
		5,179,866	3,887,808
Total liabilities and shareholders' equity (deficiency)		**63,132,265**	65,895,047
Going concern	1		
Subsequent events	18		

See accompanying notes to the condensed interim consolidated financial statements

On behalf of board:

[signed]
Margot M. Micallef, Director

[signed]
Jackie Altwasser, Director

GABY INC.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited)		**Three months ended March 31,**	
In Canadian dollars	Note	**2022**	**2021**
REVENUE		**7,328,689**	3,411,901
COST OF SALES			
Direct inventory costs	12	**3,838,650**	3,042,343
Variable gross profit		**3,490,039**	369,558
Allocated indirect costs	13	**206,497**	65,572
Distribution costs		**29,867**	68,746
Total cost of sales		**4,075,014**	3,176,661
Gross profit		**3,253,675**	235,240
Selling, general and administrative expenses	14	**2,835,743**	1,111,102
Share-based compensation and expenses	10	**408,107**	220,072
Depreciation of property and equipment		**199,178**	10,763
Amortization of intangible assets	5	**272,246**	-
Loss from operations before the following:		**(461,599)**	(1,106,697)
Foreign exchange gain (loss)		**658,680**	(169,884)
Gain on extinguishment of debt	8	**72,406**	-
Loss on disposal of assets		**(7,753)**	-
Gain on dissolution of subsidiary	3	**3,053,290**	-
Interest expense		**(1,036,340)**	(135,261)
Interest income		**573**	581
Penalties and interest on past-due taxes		**(44,005)**	(18,368)
Settlement expenses		**(10,134)**	-
Transaction costs		**(44,863)**	(1,097,509)
Total other income (expenses)		**2,641,854**	(1,420,441)
Income (loss) before income tax expense (recovery)		**2,180,255**	(2,527,138)
Current income tax expense		**738,413**	-
Deferred income tax recovery		**(105,809)**	(7,308)
Income tax expense (recovery)		**632,604**	(7,308)
Net income (loss)		**1,547,651**	(2,519,830)
Other comprehensive income (loss), net of tax			
Items that may be reclassified to net profit in the future:			
Exchange difference on translation		**(944,926)**	438
Items reclassified to net profit in the current period:			
Dissolution of subsidiary		**226,156**	-
Total comprehensive income (loss)		**828,881**	(2,519,392)
Net income (loss) per share:			
Basic and diluted	15	**$0.00**	($0.01)

See accompanying notes to the condensed interim consolidated financial statements

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

(Unaudited) *In Canadian dollars*	**Note**	**Share issuance obligation**	**Share capital**	**Contributed surplus**	**Deficit**	**Accumulated other comprehensive income (loss)**	**Total**
Balance as at December 31, 2020		119,947	45,074,695	5,721,708	(55,933,646)	(322,543)	(5,339,839)
Net and comprehensive loss		-	-	-	(2,519,830)	438	(2,519,392)
Issuance of Units	11	(36,187)	3,446,039	560,983	-	-	3,970,835
Issuance costs	11	-	(916,274)	319,703	-	-	(596,571)
Issuance of Subscription Receipts	11	8,562,696	-	-	-	-	8,562,696
Stock option and RSU expense	10	-	-	123,822	-	-	123,822
Balance as at March 31, 2021		8,646,456	47,604,460	6,726,216	(58,453,476)	(322,105)	4,201,551
Balance as at December 31, 2021		-	63,638,128	8,491,777	(68,180,733)	(61,364)	3,887,808
Net and comprehensive income		-	-	-	1,773,807	(944,926)	828,881
Reclassification of comprehensive income		-	-	-	(226,156)	226,156	-
Shares for services	11	-	144,835	-	-	-	144,835
RSUs issued as shares	11	-	13,054	(13,054)	-	-	-
Equity issued to pay liabilities	10	-	40,717	17,097	-	-	57,814
Stock option and RSU expense	10	-	-	260,528	-	-	260,528
Balance as at March 31, 2022		**-**	**63,836,734**	**8,756,348**	**(66,633,082)**	**(780,134)**	**5,179,866**

See accompanying notes to the condensed interim consolidated financial statements

GABY INC.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)		**Three months ended March 31,**	
In Canadian dollars	Note	**2022**	2021
OPERATING ACTIVITIES			
Net income (loss)		**1,547,651**	(2,519,830)
Adjustments to reconcile net income (loss) to cash flow from operations:			
Deferred income tax recovery		**(105,809)**	(7,308)
Depreciation	4	**285,380**	61,191
Amortization of intangible assets	5	**272,246**	-
Gain on extinguishment of debt	8	**(72,406)**	-
Loss on disposal of assets		**7,753**	-
Gain on dissolution of subsidiary	3	**(3,053,290)**	-
Interest expense		**1,036,340**	135,261
Interest income		**-**	(581)
Share-based compensation and expenses	10	**408,107**	220,072
Unrealized foreign exchange loss (gain)		**(662,652)**	157,906
Cash used in operating activities before the following:		**(336,680)**	(1,953,289)
Net change in non-cash working capital related to operations		**114,096**	1,978,728
Cash generated by (used in) operating activities		**(222,584)**	25,439
INVESTING ACTIVITIES			
Purchase of property and equipment	4	**(5,247)**	-
Deposit refunds received		**-**	1,899
Cash generated by (used in) investing activities		**(5,247)**	1,899
FINANCING ACTIVITIES			
Advances from related party		**-**	788
Repayment of debentures	9	**(55,000)**	-
Repayment of long-term debt		**(353,445)**	(20,108)
Repayment of lease liabilities		**(175,468)**	(17,050)
Issuance of Units	11	**-**	297,868
Issuance of Subscription Receipts	11	**-**	8,562,696
Restricted cash		**-**	(8,237,470)
Equity issuance costs paid		**-**	(525,041)
Interest paid		**(210,476)**	(43,064)
Cash generated by (used in) financing activities		**(794,389)**	18,619
Foreign currency translation adjustment		**(39,304)**	(2,026)
Net change in cash		**(1,061,524)**	43,931
Cash, beginning of period		**4,067,501**	102,808
Cash, end of period		**3,005,977**	146,739

See accompanying notes to the condensed interim consolidated financial statements

See Note 16 for detail of non-cash transactions

NATURE OF BUSINESS

GABY Inc. ("GABY" or "the Corporation") is incorporated in Canada under the Business Corporations Act of Alberta. The Corporation's registered office is 200, 209 – 8th Avenue SW, Calgary, Alberta T2P 1B8, Canada and it trades on the Canadian Securities Exchange ("CSE") under the symbol GABY and on the OTCQB under the symbol GABLF. The Corporation produces, markets, and sells at retail, cannabis-related consumer packaged goods ("CPG") in California. The Corporation has a retail focus and is the owner of the Mankind dispensary in San Diego, California. GABY packages and/or markets, for its own proprietary brands as well as for third parties, a variety of cannabis products including: flower, concentrates, pre-rolls, edibles, topicals, tinctures, and other products derived from or infused with cannabis or hemp.

1. GOING CONCERN

These condensed interim consolidated financial statements for the three months ended March 31, 2022 and 2021 ("Financial Statements") have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

Substantially all of the Corporation's operations are in the USA cannabis sector, which has been legalized by certain USA states but remains federally illegal and is subject to legislative uncertainty.

For the three months ended March 31, 2022 the Corporation had a loss from operations (before non-operational income and losses) of $0.5 million and negative cash flow from operations of $0.2 million. For the year ended December 31, 2021, the Corporation had a net loss of $12.2 million and cash flow from operations of $0.1 million. As at March 31, 2022 working capital amounted to negative $5.5 million. Management is continuing to address the need to increase revenue and control costs. Management has in the past obtained financing by accessing the capital markets as described in Note 11 to the Financial Statements. Management believes these activities, in conjunction with prudent management of working capital, will enable GABY to support operations over the next year and beyond.

Historically, the Corporation has had operating losses, negative cash flows from operations and working capital deficiencies. While the Corporation expects to be able to reduce these losses by prudent management of its operations, whether, and when, the Corporation can attain profitability and positive cash flows from operations is uncertain. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern.

As such, the Corporation may need to raise additional capital to continue to pursue its growth strategy and to fund its operations. While the Corporation has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future. The ability to raise capital may be adversely impacted by uncertain market conditions.

Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due. These Financial Statements do not reflect adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operation. These adjustments could be material.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

These Financial Statements were approved and authorized for issue by the Corporation's audit committee on May 27, 2022.

Basis of presentation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in Canadian dollars unless otherwise indicated. Other measurement bases used are detailed in the Corporation's annual consolidated financial statements ("Annual Financial Statements").

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

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

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

3. DISSOLUTION OF SUBSIDIARY

The Corporation wound up and dissolved one of its subsidiaries, Sonoma Pacific Distribution ("SPD"), effective March 30, 2022. Before dissolution, SPD was insolvent and had ceased operations in August 2021. The Corporation purchased the remaining assets of SPD, being two accounts receivable and a vehicle, in exchange for assumption of various SPD payables and debt. The remaining debts of SPD have been written off in consolidation due to SPD being dissolved. All intercompany balances with SPD have also been written off, with the gains and losses being eliminated in consolidation. A gain of $3,053,290 was recognized on dissolution of SPD, which consists of the write-off of that amount of SPD accounts payable and accrued liabilities. Accumulated other comprehensive loss of $226,156 relating to SPD up to the date of dissolution has been reclassified out of other comprehensive income to net income during the three months ended March 31, 2022. The net loss of SPD included in the Financial Statements for the three months ended March 31, 2022 is $41,205. The results of operations of SPD have not been reclassified as discontinued operations because the manufacturing and distribution operations continued through another GABY subsidiary, Wild West Industries Inc.

In Canadian dollars, unless otherwise stated (Unaudited)

4. PROPERTY AND EQUIPMENT

	Net book value of property and equipment			
In $	**Right-of-use assets - facilities**	**Right-of-use assets - equipment**	**All other property and equipment**	**Total**
Balance as at December 31, 2020	527,930	-	567,160	1,095,090
Depreciation	(19,417)	-	(41,774)	(61,191)
Effect of foreign exchange	(7,192)	-	(7,583)	(14,775)
Balance as at March 31, 2021	501,321	-	517,803	1,019,124
Balance as at December 31, 2021	**7,306,253**	**40,028**	**506,557**	**7,852,838**
Additions	**-**	**-**	**5,247**	**5,247**
Disposals	**-**	**-**	**(7,753)**	**(7,753)**
Depreciation	**(239,358)**	**(2,108)**	**(43,914)**	**(285,380)**
Effect of foreign exchange	**(93,045)**	**(499)**	**(6,031)**	**(99,575)**
Balance as at March 31, 2022	**6,973,850**	**37,421**	**454,106**	**7,465,377**

5. INTANGIBLE ASSETS AND GOODWILL

In $	**Cannabis licenses**	**Goodwill**	**Total**
Balance as at December 31, 2020	1,020,160	1,371,882	2,392,042
Effect of foreign exchange	(14,160)	(19,042)	(33,202)
Balance as at March 31, 2021	1,006,000	1,352,840	2,358,840
Balance as at December 31, 2021	**10,064,336**	**36,698,176**	**46,762,512**
Amortization	**(272,246)**	**-**	**(272,246)**
Effect of foreign exchange	**(128,976)**	**(484,244)**	**(613,220)**
Balance as at March 31, 2022	**9,663,114**	**36,213,932**	**45,877,046**

In Canadian dollars, unless otherwise stated (Unaudited)

6. RELATED PARTY TRANSACTIONS

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. No amounts are owing to or owing from the related parties in respect of the transactions unless otherwise referenced in the table below.

In $	Three months ended March 31,	
a. Amounts included in Operating expenses:	**2022**	2021
Compensation of key management personnel ("KMP")[1]		
Cash compensation[2]	**214,047**	71,433
Share-based compensation	**213,519**	81,727
Total compensation of KMP	**427,566**	153,160
Other expenses paid on behalf of the Corporation by an entity controlled by a director and officer	**-**	7,211
Consulting fees to a company controlled by close family of certain KMP	**45,000**	45,000
b. Amounts included in Interest expense:		
Lease guarantee fee to KMP	**15,230**	-
Interest on convertible debentures to KMP	**-**	1,274
Interest paid to directors in respect of promissory notes	**-**	5,598
c. Due to related parties included in statement of financial position	**Mar 31, 2022**	Dec 31, 2021
Included in accounts payable and accrued liabilities		
Compensation payable to KMP or their separate management entities	**42,275**	62,704
Other amounts due to KMP	**57,579**	33,060
Interest payable in respect of b) above	**15,230**	-
Rent payable to a company controlled by an officer and director	**-**	11,517
Consulting fees payable to an entity controlled by close family of certain KMP	**15,750**	-

[1] KMP consist of those that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, which includes the most senior executive team (C-suite executives) and the Corporation's board of directors ("Board").

[2] Includes $71,252 (2021 - $71,433) paid to separate management entities.

7. BANK INDEBTEDNESS

The demand operating loan that was closed with an outstanding balance in September 2020 as described in the Annual Financial Statements, and which had a balance of $155,370 as at December 31, 2020 including interest up to that date, was assumed by certain KMP effective January 1, 2021. The KMP was compensated for assuming this debt through a corresponding amount receivable from the Corporation, which was later settled in conjunction with the Non-brokered Private Placement.

In Canadian dollars, unless otherwise stated (Unaudited)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	In $	
Balance as at December 31, comprised of:	**Mar 31, 2022**	Dec 31, 2021
Trade accounts payable	**2,325,280**	4,161,935
Credit cards payable	**7,333**	11,550
Payroll liabilities	**453,894**	452,312
Accrued liabilities	**807,758**	757,692
Sales, excise, and use taxes payable	**1,495,723**	2,834,709
	5,089,988	8,218,198
Aging of trade accounts payable:		
30 days	**915,777**	950,586
60 days	**291,660**	61,565
90 days	**59,937**	23,803
Over 90 days	**1,057,906**	3,125,981
	2,325,280	4,161,935

As described in Note 3, the decrease in accounts payable and accrued liabilities was primarily a result of the dissolution of Sonoma Pacific Distribution. The Corporation also recognized a gain on extinguishment of debt of $72,406 during the three months ended March 31, 2022 (2021 - $nil) relating to the write-off of other accounts payable that had passed the period of enforceability.

9. PROMISSORY NOTE AND CONVERTIBLE DEBENTURES

In March 2022, the terms of various of the convertible debentures totaling $471,116 and the promissory note payable were modified to further extend the due date to April 1, 2023. For simplicity, these liabilities are maintained with current liabilities for these Financial Statements even though their maturity date is beyond one year.

The following table summarizes the activity in promissory notes during the three months ended March 31, 2022 and 2021:

	In $	
	Mar 31, 2022	Mar 31, 2021
Beginning balance as at December 31, 2021 and 2020	**265,200**	1,411,233
Accrued interest	**7,543**	85,797
Repayments of accrued interest (in 2021, principal and accrued interest through share issuance)	**(17,811)**	(1,182,867)
Effects of foreign exchange	**-**	(1,380)
Ending balance of promissory notes	**254,932**	312,783

The following table summarizes the outstanding balance and changes in the amounts recognized in the components of the convertible debentures during the three months ended March 31, 2022 and 2021:

In Canadian dollars, unless otherwise stated (Unaudited)

	In $	
	Mar 31, 2022	Mar 31, 2021
Beginning balance as at December 31, 2021 and 2020	**526,116**	653,904
Repayments (in 2021, through share issuance)	**(55,000)**	(202,008)
Accrued interest recharacterized as principal	**-**	71,116
Interest accretion expense on warrants and legal	**-**	3,104
Ending balance of convertible debentures	**471,116**	526,116

Total interest for the three months ended March 31, 2022 relating to the convertible debentures, including coupon interest and accretion of issuance costs, is $19,459 (March 31, 2021 - $23,383).

10. SHARE-BASED COMPENSATION AND PAYMENTS

Amounts recognized from share-based payment transactions recognized for the three months ended March 31, 2022 and 2021 are as follows:

		In $	
	Note	**Mar 31, 2022**	Mar 31, 2021
Share-based compensation included in operating expenses:			
Stock option plan employee compensation and consulting fees		**10,554**	39,118
RSU plan employee compensation	10a	**249,974**	84,704
Amortization of prepaid share-based payment		**25,000**	-
Shares for services		**122,579**	96,250
Total share-based compensation included in operating expenses		**408,107**	220,072
Lease guarantee fee payable in common shares		**15,230**	-
Total share-based compensation		**423,337**	-
Settlement of accounts payable	10b	**57,814**	-
Total share-based payments		**481,151**	220,072

a. Restricted share units ("RSUs")

Set out below is a summary of RSUs activity for the three months ended March 31, 2022 and 2021:

Number of RSUs	**March 31, 2022**	March 31, 2021
Opening	**39,396,666**	16,375,000
Granted	**2,150,000**	-
Issued as shares	**(331,667)**	-
Forfeited	**(1,100,000)**	-
Closing	**40,114,999**	16,375,000
Vested at period end	**-**	401,667

The amount included in operating expenses for directors', officers' and consulting services received for the three months ended March 31, 2022 is $249,974 (March 31, 2021 - $84,704) and is classified as contributed surplus on the Corporation's consolidated statement of financial position. Of the foregoing amounts, $127,886 was in respect of KMP for the period ended March 31, 2022 (March 31, 2021 - $52,007).

In Canadian dollars, unless otherwise stated (Unaudited)

b. Equity issued for settlement of accounts payable

		March 31, 2022		March 31, 2021[1]	
Equity issued in respect of:		**Number**	**$**	**Number**	**$**
Contract service fees payable	i	**557,066**	**15,072**	-	-
Finder's fee payable from 2021	ii	**854,840**	**42,742**	-	-
		1,411,906	**57,814**	-	-

[1] Note that this disclosure excludes the payables and debts rolled into the Non-Brokered Private Placement in February 2021. Those items are disclosed in Note 11.

i) A service provider agreed to receive partial payment for three months of service fees in shares rather than cash. The Corporation measured the fair value of services received as invoiced as measured when such services were previously paid in cash. The common shares were measured using the share price on date of issuance at an average of $0.027 per share.

ii) A finder's fee was payable with respect to an investment brought in during 2021. The payable was settled through issuance of 854,840 common shares valued at $0.03 per share based on the share price at date of issuance, and 854,840 common share purchase warrants valued at $0.02 per warrant using the Black Sholes valuation model with the following inputs:

Stock price	$0.02
Strike price	$0.09
Years to maturity	2.00
Risk-free rate	0.75%
Volatility	234%

In Canadian dollars, unless otherwise stated (Unaudited)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized share capital

The Corporation is authorized for an unlimited number of shares without nominal or par value as follows:

Unlimited number of Class A common voting shares

Unlimited number of Class B non-voting, retractable, redeemable, preferred shares, issuable in series

Common shares issued and outstanding and Contributed surplus

A reconciliation of the Corporation's Common shares and Contributed surplus is as follows:

	Note	Share capital		Contributed surplus	Total transaction
		Class A common voting shares			
		Number	$	$	$
Balance as at December 31, 2020		237,793,408	45,074,695	5,721,708	50,796,403
Issuance of Units	11a	80,140,444	3,446,039	560,983	4,007,022
Equity issuance costs	11a	-	(916,274)	319,703	(596,571)
Stock option expense		-	-	39,118	39,118
RSU expense	10a	-	-	84,704	84,704
Closing balance, March 31, 2021		**317,933,852**	**47,604,460**	**6,726,216**	**54,330,676**
Balance as at December 31, 2021		683,326,319	63,638,128	8,491,777	72,129,905
Shares for services	10	5,132,000	144,835	-	144,835
Equity issued to pay debts	10b	1,411,906	40,717	17,097	57,814
RSUs issued as shares	10a	331,667	13,054	(13,054)	-
Stock option expense		-	-	10,554	10,554
RSU expense	10a	-	-	249,974	249,974
Closing balance, March 31, 2022		**690,201,892**	**63,836,734**	**8,756,348**	**72,593,082**

a. Private Placement

On February 4, 2021, the Corporation closed a brokered private placement of subscription receipts of the Corporation (the "Brokered Private Placement") together with its non-brokered private placement of units of the Corporation (the "Non-Brokered Private Placement") for aggregate gross proceeds (including non-cash consideration) of $12.7 million.

Pursuant to the Brokered Private Placement, the Corporation issued 172,929,123 subscription receipts of the Corporation ("Subscription Receipts") at a price of $0.05 per Subscription Receipt. The total value of $8,646,456 was included in Share Issuance Obligation within equity as at March 31, 2021 and was reclassified to share capital and contributed surplus when converted to Units in June 2021.

Each Subscription Receipt represented the right to receive, without payment of additional consideration or further action on the part of the holder thereof, one unit of the Corporation (each, a "Unit") upon the later of: (i) the satisfaction of certain escrow release conditions; and (ii) the date that is the earlier of: (A) June 5, 2021; and (B) the second business day following the filing of a qualifying prospectus.

In Canadian dollars, unless otherwise stated (Unaudited)

Each Unit consists of: (i) one GABY Share; and (ii) one GABY Share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase a GABY Share at an exercise price of $0.09, at any time up to 24 months following the date of issuance; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares on the CSE, or other principal exchange on which the GABY Shares are listed, is greater than $0.18 for 5 consecutive trading days, the Corporation may, within 10 business days of the occurrence of such event, deliver a notice to the holders of the Warrants (the "Acceleration Right") accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice (the "Accelerated Exercise Period"). Any unexercised Warrants will automatically expire at the end of the Accelerated Exercise Period.

The Corporation issued Broker Warrants valued at $319,703 (see Note 11c) and paid other fees and expenses of $596,571, for aggregate equity issuance costs of $916,274 which was offset against share capital.

Pursuant to the Non-Brokered Private Placement, the Corporation issued 80,140,444 Units at a price of $0.05 per Unit. The total value of $4,007,022 has been bifurcated between share capital and contributed surplus based on the relative fair value of the common shares and Warrants. Of the total value, $3,709,154 consisted of debts rolled into the Non-Brokered Private Placement by various related and unrelated parties, as follows:

Balance comprised of, in $:	Related party	Other	Total
Accounts payable	724,488	271,500	**995,988**
Convertible debentures and accrued interest	121,247	102,333	**223,580**
Promissory notes and accrued interest	789,693	391,424	**1,181,117**
Share issuance obligation	-	38,270	**38,270**
Prepayment of future services	189,000	66,000	**255,000**
Payment of transaction costs	-	1,015,199	**1,015,199**
	1,824,428	1,884,726	**3,709,154**

b. Warrants

Set out below are summaries of warrants activity for the three months ended March 31, 2022 and 2021:

		March 31, 2022		March 31, 2021	
		Average exercise price per warrant	Number of warrants	Average exercise price per warrant	Number of warrants
Opening		**$0.09**	**262,619,567**	$0.38	38,404,193
Granted	10b	**$0.09**	**854,840**	$0.09	80,140,444
Expired		**n/a**	**-**	$0.37	(650,000)
Closing		**$0.09**	**263,474,407**	$0.18	117,894,637
Vested and exercisable at period end		**$0.09**	**260,874,407**	$0.18	115,294,637

In Canadian dollars, unless otherwise stated (Unaudited)

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

	March 31, 2022		December 31, 2021	
Exercise price	**Number of warrants**	**Weighted average contractual life in years**	**Number of warrants**	**Weighted average contractual life in years**
$0.09	**260,174,407**	**1.09**	259,319,567	1.34
$0.15	**200,000**	**0.06**	200,000	0.31
$0.20 - $0.35	**2,000,000**	**1.08**	2,000,000	1.33
$0.38	**300,000**	**2.34**	300,000	2.59
$0.48 - $0.50	**800,000**	**0.65**	800,000	0.89
	263,474,407	**1.09**	262,619,567	1.34

c. Broker Warrants

The Corporation from time to time issues instruments exercisable for the purchase of common shares and Warrants for the purpose of compensating brokers or agents in connection with financing transactions, which are referred to as Broker Warrants. The balance included in Broker Warrants is comprised of two tranches of Broker Warrants as follows:

		March 31, 2022		December 31, 2021	
		Number	**$**	**Number**	**$**
Broker Warrants – February 2021	i.	**7,992,569**	**319,703**	7,992,569	319,703

i. *Broker Warrants – February 2021*

The Corporation issued Broker Warrants to the brokers in the February 2021 Brokered Private Placement. Each Broker Warrant entitles the holder to acquire one common share and one warrant at a combined price of $0.05 for a period of 24 months following the Escrow Release Date of June 5, 2021. Each warrant acquired through exercise of the Broker Warrants entitles the holder to acquire one common share at a price of $0.09 per share for a period of 24 months from the Escrow Release Date. The weighted average remaining life of the Broker Warrants is 1.18 years.

If at any time after the date of issuance, the volume weighted average trading price per common share is equal to or greater than $0.18 for any five consecutive trading days, the Corporation shall be entitled, at the sole option of the Corporation, within ten business days of such event, to accelerate the Expiration Date to the date that is thirty days following the delivery of a written notice of acceleration to the holder.

12. DIRECT INVENTORY COSTS

In $	Three months ended March 31,	
Balance comprised of:	**2022**	2021
Salaries and benefits	**370,600**	218,852
Direct materials	**3,104,558**	2,795,174
Other direct costs	**363,492**	28,317
	3,838,650	3,042,343

In Canadian dollars, unless otherwise stated (Unaudited)

13. ALLOCATED INDIRECT COSTS

In $	Three months ended March 31,	
Balance comprised of:	**2022**	2021
Salaries and benefits	**-**	15,635
Production licenses and permits	**14,720**	7,123
Production facility costs	**105,412**	20,599
Depreciation of production equipment	**86,202**	13,911
Other overhead costs	**163**	8,304
	206,497	65,572

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In $	Three months ended March 31,	
Balance comprised of:	**2022**	2021
Salaries and benefits	**1,556,435**	421,797
Consulting fees	**110,489**	211,876
Administrative costs	**638,129**	246,030
Advertising and promotion	**384,258**	96,035
Professional fees	**146,432**	135,364
	2,835,743	1,111,102

15. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the period. The potentially dilutive common shares issuable on the outstanding Warrants, Broker Warrants, Stock Options, and RSUs are non-dilutive and are therefore excluded from the diluted loss per share for the periods in which they were outstanding. The weighted average numbers of shares outstanding for the three months ended March 31, 2022 was 687,572,934 (three months ended March 31, 2021 – 287,658,573).

In Canadian dollars, unless otherwise stated (Unaudited)

16. NON-CASH TRANSACTIONS AND CASH FLOW DISCLOSURES

Non-cash transactions took place during the three months ended March 31, 2022 and 2021 as follows:

		March 31,	
	In $	**2022**	2021
1	Settlement of vested RSUs with common shares:		
	Increase in share capital	**13,054**	-
	Decrease in contributed surplus	**13,054**	-
2	Payment of accounts payable through issuance of common shares:		
	Increase in common shares	**40,717**	-
	Increase in contributed surplus	**17,097**	-
	Decrease in accounts payable	**57,814**	-
3	Non-cash equity issuance costs:		
	Decrease in accounts payable	**-**	85,153
	Increase in contributed surplus	**-**	319,703
	Decrease in share capital (equity issuance costs recorded)	**-**	404,856
4	Assumption of bank indebtedness by certain KMP		
	Increase in accounts payable to related party	**-**	155,370
	Decrease in bank indebtedness	**-**	155,370
5	Extinguishment of debts through issuance of equity securities:		
	Increase in accounts receivable	**-**	11,250
	Increase in prepaid expenses	**-**	243,750
	Decrease in promissory notes	**-**	1,181,117
	Decrease in accounts payable and amounts due to related parties	**-**	2,011,187
	Decrease in convertible debentures	**-**	223,580
	Decrease in share issuance obligation	**-**	38,270
	Increase in common shares	**-**	3,189,872
	Increase in contributed surplus	**-**	519,282

During the three months ended March 31, 2022 and 2021, the Corporation paid income taxes of $514,070 and $nil, respectively.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation's current financial instruments include cash, accounts receivable, other current asset, accounts payable and accrued liabilities, short-term note payable, promissory note payable, and convertible debentures and are measured at amortized cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. The Corporation’s non-current financial instruments include lease liabilities and long-term debt, which are measured at amortized cost.

18. SUBSEQUENT EVENTS

Equity issuances

Subsequent to March 31, 2022, the Corporation has issued the following:

- A total of 21,015,413 common shares, as follows:
  - 5,482,083 shares valued at $132,673 to consultants and others for past and future services
  - 3,333,330 shares to settle vested RSUs valued at $193,183
  - 12,200,000 shares valued at $305,000 issued to participants in the stock appreciation rights plan to cancel the stock appreciation rights held under the plan
- A total of 11,166,667 RSUs valued at $187,042 based on a share price on date of grant of $0.025 and a forfeiture rate of 33%, which will be recorded as an expense over the vesting period with a corresponding amount recorded as contributed surplus

GABY INC.

SCHEDULE B: SUPPLEMENTARY INFORMATION

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

1. Related party transactions

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

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

All information related to transactions with Related Persons is included on page10 of the Interim Financial Statements and on page 13 of the Management Discussion and Analysis.

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

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

(a) summary of securities issued during the period

Date of Issue	Type of Security (common shares, convertible debentures etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
January 12, 2022	Common Shares	Private Placement	3,877,033	$.05	N/A	Shares for Services	Consultants	N/A
February 28, 2022	Common Shares	Private Placement	1,590,373	$0.05	N/A	Shares for Services	Consultants	N/A
March 28, 2022	Common Shares	Private Placement	1,408,167	$0.05	N/A	Shares for Services and shares issued under RSU Plan	Consultants, Employees and Directors	N/A

(b) Summary of options granted during the period.

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
January 7, 2022	1,450,000	Employees	N/A	N/A	December 31, 2025	N/A

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

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

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

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

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

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

See pages 14 to 16 of the Interim Financial Statements.

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

Directors:

Margot Micallef
Jackie Altwasser
Robert Travis
Matthew Bartlett
Javier Estades
Loreto Grimaldi
Ebon Johnson

Officers:

Margot Micallef, CEO
Simon Lileikis, President
Paul Stacey, CFO
Leanne Likness Swanson, Corporate Secretary

GABY Inc.

Management's Discussion & Analysis
March 31, 2022 and 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"** or "**GABY**") for the quarter ended March 31, 2022 and 2021. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Corporation and accompanying notes for the quarters ended March 31, 2022 ("**Q1 2022**") and 2021 ("**Q1 2021**") (the "**Financial Statements**") and the audited consolidated financial statements of the Corporation and accompanying notes as at and for the years ended December 31, 2021 and 2020 (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 May 27, 2022.

NON-GAAP MEASURES: GABY refers to adjusted EBITDA from continuing operations. This measure is not defined under IFRS and is considered a non-GAAP measure. 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 Department of Cannabis Control ("**DCC**"). 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 Multi Vertical California Cannabis Company

OUTLOOK – CONTINUED INTEGRATION AND CONSOLIDATION

Miramar acquisition effective April 1, 2021

In the first quarter of 2022, GABY continued to integrate and streamline the operations acquired on the April 1, 2021 purchase of Miramar ("**Miramar Transaction**"). 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.

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 under the brands Kind Republic ™and DankSpace™– an opportunity that management has prioritized for growth. Kind Republic was initially launched as a mid-tier flower brand. Management has since extended the brand to pre-rolls and concentrates and will soon launch a Kind Republic vape line. The Dank Space brand was launched in Q1 2022 as a high-end premium brand. Both brands are given priority shelf space and customers are initially (as appropriate) directed to these brands. The Corporation realizes an average margin of over 70% on its proprietary brands.

Wild West Industries, Inc (WWI) operates its manufacturing business under a Type 6 non-volatile manufacturing license and provides manufacturing services to its parent company, Miramar. 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.

Integration and Streamlining

The integration and streamlining of Mankind operations started with the Miramar Transaction in 2021 and continues to evolve and expand in 2022. The resulting operational and financial enhancements include:

1. **Implemented USD 3 million in annual savings** commencing in Q1-2022 through payroll savings and operating cost efficiencies. In Q1-22 there was a 5% reduction in SG&A after adjusting for non-operational items over Q4 2021. It is anticipated that reductions will continue through the remainder of 2022.
2. **Launched its proprietary brands onto Mankind shelves** accounting at any given time for roughly 15% to 20% of cannabis flower sales at Mankind. GABY's Kind Republic ™ brand sold over USD 1.7 million in Mankind dispensary in the 12 months following its January 2021 launch and boasts a variable gross margin of more than 70%. In April 2022, Gaby launched a new high end flower brand, Dank Space™, which has become the number one selling flower brand in the dispensary within the first month of launch.
3. **Restructured its delivery business** by extending delivery hours, expanding the fleet and reach of the business to meet existing demand.
4. **Established business intelligence metrics** from the point-of-sale systems at the dispensary. Provides daily flash data and weekly analytics to better understand the business drivers of the sales and margin performance. Established key performance metrics (KPI's), that will be used to set performance targets and measure achievement.
5. **Established the Gaby Core Business Pillars** that guide strategy and decision making at the operational business unit. Pillars include, *Best People, Premium Product, Convenience Revolution* and *Memorable Experience*.

6. **Initiated a cash sweep process** to reduce cash on hand at the Dispensary location and move vendors onto payment terms. Resulting in improved cash conversion and vendor management.
7. **Closed Santa Rosa based Sonoma Pacific Distribution Inc**. ("Sonoma Pac" or "SPD") effective August 31, 2021, and in Q1-22 settled SPD's indebtedness to California Department of Tax and Fee Administration ("CDTFA") and dissolved SPD eliminating the remaining outstanding payables of $3 million.
8. **One Millionth Customer event** – In March 2022 the dispensary ran an event to celebrate the one millionth transaction at Mankind. The event was focused on customer appreciation and retention. Resulted in an 8% increase of units sold over the average of the previous 10 weeks in the quarter.

SELECTED FINANCIAL INFORMATION AND OVERALL PERFORMANCE

	Quarter ended March 31,		
In $	**2022**	2021	% Change
Revenue	**7,328,689**	3,411,901	115
Variable gross profit	**3,490,039**	369,558	844
Variable gross profit as % of gross revenue ("**Variable gross margin**")	**48%**	11%	
Gross profit after distribution and allocated indirect costs ("**Gross profit**")	**3,253,675**	235,240	1,283
Gross profit as a percentage of revenue ("**Gross margin**")	**44%**	7%	
Adjusted EBITDA from continuing operations ("**Adjusted EBITDA**")[1]	**504,134**	(825,434)	161
Loss from operations before other income (expense) ("**Loss from operations**")	**(461,599)**	(1,106,697)	58
Net income (loss)	**1,547,651**	(2,519,830)	161
Total comprehensive income (loss)	**828,881**	(2,519,392)	133
Income (loss) per share, basic and diluted[2]	**0.00**	(0.01)	126
Weighted average number of common shares – basic and diluted[2]	**687,572,934**	287,658,573	139
	As at		
	March 31, 2022	December 31, 2021	
Total assets	**63,132,265**	65,895,047	(4)
Total non-current financial liabilities	**40,612,951**	41,187,907	(1)

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

(2) Percentage change based on unrounded earnings per share

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

The Miramar Transaction, effective April 1, 2021, accounts for substantially all the improvements in financial performance over the same quarter last year. Revenue of $7.3 million for the quarter was from the Miramar transaction, which increased $3.9 million or 115% over Q1 2021 which revenue was primarily generated from SPD. Variable gross profit improved to $3.5 million (48% margin) from $0.4 million (11% margin) for the quarter largely due to sales of high-margin retail products at Mankind versus lower-margin wholesale product at SPD (which was shut down effective August 2021). Accordingly, and due to retail operations of Mankind having minimal indirect costs compared to SPD operations, gross profit improved to $3.3 million (44% margin) compared to $0.2 million (7% margin) in the 4th quarter of 2021.

Selling, general and administrative expenses ("SG&A") of $2.8 million is $1.7 million or 149% higher than the same quarter in 2021 due to the SG&A from the Miramar acquisition. When comparing SG&A of Q4 2021 to Q1 2022, there was a reduction of 9% or $0.3 million of which $0.2 million was due to efficiencies gained through payroll savings and operating cost reductions.

Share-based compensation of $0.4 million increased by $0.2 million over the same quarter last year, primarily due to the expansion of share-based compensation to the employees of Miramar.

The Miramar Transaction resulted in the increase in depreciation of property and equipment to $0.2 million versus negligible amounts in the same quarter last year due to the amortization of right-of-use assets acquired therein. It also resulted in the new line item of amortization of intangible assets in Q1 2022 of $0.3 million, reflecting the amortization of the cannabis licences acquired.

The Q1 2022 foreign exchange gain was $0.7 million compared to a $0.2 million loss the same quarter last year. The large swing over the comparative quarters was primarily due to the effects of the variations in the foreign exchange rate.

Total other income (expense) of $2.6 million improved by $4 million (Q1 2022 to Q1 2021) primarily due to the gain on dissolution of a subsidiary of $3.1 million on the write off of SPD payables, a positive swing in foreign exchange gain (loss) of $0.8 million, largely due to gains in Q1 on the translation of USD denominated promissory notes issued on the Miramar transaction (**"Miramar Notes**"), and MPS transaction costs in Q1 2021 of $1.1 million. This was partially offset by an increase in interest expense of $0.9 million in respect of the Miramar notes.

Tax expense increased by $0.6m (Q1 2022 to Q1 2021) due to the positive impact on gross margin from the Miramar transaction and the applicability of Internal Revenue Code ("**IRC**") Section 280(e) for US federal income taxation.

The net impact of the movements described above resulted in net income of $1.5 million in Q1 2022 which improved $4.0 million over Q1 2021's net loss of $2.5 million. The respective basic and diluted net income (loss) per share improved to $nil from negative $0.01 per share with the increase in net income of 161% being partially offset by an increase in the total weighted average common shares of 139%.

Other comprehensive loss ("OCL") includes foreign exchange gains and losses on the translation of GABY's USA subsidiaries. Q1 2022 included a foreign exchange loss of $0.9 million compared to a nominal amount in Q1 2021, and a reclassification of other comprehensive loss from dissolution of SPD of $0.2 million in Q1 2022.

While the Miramar Transaction resulted in significant improvements over last year, management still anticipates greater synergies going forward, including a specific focus in Q2 2022 on margin and SG&A improvements at the licensed manufacturing and distribution business WWI. Management will continue to find opportunities to cut further costs and generate additional revenue, thereby improving Adjusted EBITDA from continuing operations[1] and net income in the future. In addition, management believes its consolidation and integration strategy will further enhance operational synergies of the Miramar Transaction.

Adjusted EBITDA from continuing operations[1] of $0.5 million in Q1 2022 improved by $1.3 million over Q1 2021. The improvement reflects the Miramar acquisition.

[1] See Non-GAAP Disclosure towards the end of this document.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2022	2021				2020		
In $	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	7,328,689	8,221,941	9,530,505	11,271,030	3,411,901	1,075,591	806,699	740,202
Gross profit	3,253,675	3,896,030	3,741,708	3,945,786	235,238	27,323	22,497	21,794
Net income (loss) and income (loss) per share from continuing operations								
Net income (loss)	1,547,651	(3,856,660)	(4,294,335)	(1,576,265)	(2,519,830)	(6,589,384)	(1,390,964)	(1,687,307)
Income (loss) per share	0.00	(0.01)	(0.01)	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)
Net income (loss) and income (loss) per share								
Net income (loss)	1,547,651	(3,856,660)	(4,294,335)	(1,576,265)	(2,519,830)	(6,655,508)	(1,536,080)	(1,798,161)
Income (loss) per share	0.00	(0.01)	(0.01)	(0.00)	(0.01)	(0.03)	(0.01)	(0.01)

REVENUE AND GROSS PROFIT

2020 Revenue was primarily driven by SPD, with lesser contributions from Lulu's and 2Rise. The increase in Q1 2021 revenue over Q4 2020 reflects large low-margin bulk flower brokerage sales in Q1 2021. The significant increase in revenue from Q1 to Q2 2021 was a result of the Miramar acquisition, on April 1, 2021.

The revenue growth from the Miramar acquisition was partially offset by the winding down of SPD, resulting in a decrease in revenue of $1.6 million (Q2-Q3 2021), and $1 million (Q3-Q4 2021). Revenue decreased $0.9 million (Q4 2021-Q1 2022) primarily due to seasonality of the stronger Q4 2021 holiday season, and the general market adjustment back to pre-covid consumption levels

The significant increase in gross profit from Q1 to Q2, 2021 was a result of the Miramar acquisition on April 1, 2021. Miramar's gross profit percentage saw an average 3% point increase in the quarters following Q2 2021. The improvement in margin was a result of product mix resets at the store and incentives targeted at higher-margin products and product categories. Q4, 2021 did not have the lower margin impact of SPD operations. Q1, 2022 experienced a 3% point reduction in margin from Q4-2021 primarily related to the market adjustment back to pre-covid levels.

NET LOSS

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 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. The decrease in the net loss by $0.4 million from Q3 2021 to Q4 2021 mostly reflects lower foreign exchange loss of $0.8 million on USD/CAD currency fluctuations and $0.2 million higher gross profit on sale of higher-margin items and reduction of SG&A of $0.2 million due to cost rationalizations introduced in the fourth quarter, partially offset by amortization of intangible assets in Q4 of $0.8 million. The Q1 2022 net income of $1.5 million is an improvement of $5.4 million from Q4 2021. The improvement is primarily from a $3 million gain on dissolution of SPD, a $0.7 million foreign exchange gain, and a $1.4 million impairment loss in Q4 2021.

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, 2021 to March 31, 2022. As most of the balances are in USD translated into CAD, the accounts are affected by foreign currency fluctuations. The foreign exchange rate of CAD to USD used to translate period-end balances were 1.2656 and 1.2489 at December 31, 2021 and March 31, 2022; respectively.

Line item	Increase (decrease) in $Millions	Primary factors explaining change in Q1 2021
Total assets	(2.8)	$1 million use of cash in interest payments and supporting operations, and a reduction in inventories and other current assets of $0.3 million. Intangibles and property and equipment reduced by $1.3 million, of which $0.8 million relates to foreign exchange fluctuations
Total liabilities	(4.1)	$3 million related to SPD write off of payables, $0.6 million repayments of debt and lease liabilities, with the balance being primarily foreign exchange fluctuation
Equity	1.3	Accumulated deficit and accumulated other comprehensive loss increased $0.8 million, along with $0.4 million of equity issuances

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

Readers should refer to Note 1 to the Financial Statements

For the three months ended March 31, 2022, the Corporation had net income of $1.5 million and negative cash flows from operations of $0.2 million. This net income included a $3 million gain on dissolution from the SPD write off of accounts payable. As at March 31, 2022 the working capital deficit was $5.5 million.

To service the remaining working capital deficit, management will harvest further synergies from the acquisition of MPS and WWI as follows:

- Cost cuts anticipated from further efficiency analysis at its manufacturing and distribution facility, including:
  - the shortening of inventory turns;
  - the simplification of inventory intake and out take processes; and
- the reaping of additional margins on its current and anticipated new proprietary brands through the sale of same into its proprietary retail channel;
- enhancing the performance of its omni-channel platform (especially delivery);
- continuing the streamlining of shared overhead costs; and
- implementation of its consolidation strategy

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

The notes payable issued April 1, 2021 in respect of the Miramar Transaction have a term of 7 years, an annual coupon rate of 10% with balloon payments every 24 months of USD 5 million and a final balloon payment of USD 10.5 million on maturity. Quarterly interest payments are limited to USD 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. GABY may prepay all or any portion of the promissory note without penalty. GABY will need to raise capital to service future balloon payments, to fund growth of its operations and future growth strategy, including future acquisitions as part of its consolidation strategy. While the Corporation has been successful in raising capital in the past, there can be no assurance that it will be able to do so in the future.

As further described in Note 17 of the Annual Financial Statements, WWI holds a note payable to a private lender for USD 500,000. The Corporation is required to make the payments pursuant to the conditions of the note payable and must meet various covenants to avoid an event of default. The Corporation has made all required payments on time, but is not in compliance with all of the covenants as of March 31, 2022. In the event of a continuing default under the terms of the loan agreement, all amounts owing become payable upon demand and interest of additional 10% per annum could be charged on the outstanding principal balance at the option of the lender. The lender has not communicated any intention of accelerating the maturity or charging additional interest. Further, the remaining balance is already included in the current portion of long-term debt as it is due with the next year.

Analysis of Cash Flows

In $	Quarter ended March 31,		
Summary of Cash Flows from:	**2022**	**2021**	**Increase (decrease)**
Cash flow from operations before working capital changes	**(336,680)**	(1,953,289)	1,616,609
Working capital changes	**114,096**	1,978,728	(1,864,632)
Operating activities	**(222,584)**	25,439	(248,023)
Investing activities	**(5,247)**	1,899	(7,146)
Financing activities	**(794,389)**	18,619	(813,008)
Foreign currency translation adjustment	**(39,304)**	(2,026)	(37,278)
Increase (decrease) in cash	**(1,061,524)**	43,931	(1,105,455)
Cash, beginning of year	**4,067,501**	102,808	3,964,693
Cash, end of period	**3,005,977**	146,739	2,859,238
Restricted cash, end of period	**-**	8,158,309	(8,158,309)
Total cash and restricted cash, end of period	**3,005,977**	8,305,048	(5,299,071)

As shown in the table above, cash flows from operating activities before changes in non-cash working capital increased by $1.6 million for March 31, 2022 over 2021. The increase mostly reflects the positive cash flow from the Miramar acquisition, acquired April 1, 2021.

The net decrease in working capital changes of $1.9 million mostly reflects an increase in SPD accounts payable of $1.9 million in the quarter ended March 31, 2021. In March 2022 there was an increase in taxes payable of $0.2 million offset by a reduction in accounts payable and other liabilities of $0.3 million.

There were minimal investing activities in either period.

Financing activities in Q1 2021 include $12.7 million on the Q1 Financing of which as at March 31, 2021 $8.5 million was held in trust pending regulatory approval (and offset reflected as restricted cash). A portion of the funds from the non-brokered private placement were used to repay promissory notes, debentures, advances from related parties. Q1 2022 activities included repayment of debt, interest and lease liabilities.

FINANCIAL INSTRUMENTS

The nature, extent, risk and use of the Corporation's financial instruments at March 31, 2022 are relatively unchanged from December 31, 2021.

Credit risk

Due to the cash basis of the Miramar transactions revenue, accounts receivable is minimal at $0.1 million.

Interest rate risk

At March 31, 2022, 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. The Corporation will be exposed to interest rate fluctuations starting in August 2022 in respect of the long-term settlement payable included in long-term debt which bears interest at floating rates after year 1 (see Note 17 of the Annual Financial Statements). The rates are tied to the US prime rate of interest. A 1.00% change in the US prime rate would increase interest expense over the remainder of the term of the loan by approximately USD 5,700 (CAD 7,200).

Tax risk

Changes in the tax rate of an increase in taxes levied by federal of state governments could have a material adverse effect on the Corporation's business, results of operations, and financial condition. Currently, state-licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to IRC Section 280E, which prohibits businesses from deducting all expenses except their COGS when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Corporation, while any decrease in such tax levies will be beneficial to future operations.

Foreign currency risk

The Corporation on a consolidated basis conducts most of its operations in United States dollars. However, the functional currency of GABY Inc. is the Canadian dollar. As at March 31, 2022, the following working capital balances denominated in US dollars were included in the accounts of GABY Inc.:

	Receivable (Payable)	
	USD	CAD equivalent
Other current asset	**337,593**	421,620
Accounts payable and accrued liabilities	**(295,239)**	(368,724)
Short-term notes payable	**(15,000)**	(18,734)
Net exposure	**27,354**	34,163

In addition to the balances above, the Corporation has foreign exchange exposure with regards to long-term debt totaling USD 26,327,361 (CAD 32,880,241). As at March 31, 2022, each one cent strengthening (weakening) in the USD relative to the CAD would decrease (increase) the Corporation's net loss by about $263,000. The Corporation's net exposure to foreign currency risk has not been hedged.

Other price risk

The Corporation's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

Liquidity risk and capital management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit lines. The Corporation's accounts payable and accrued liabilities, 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 32 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. Readers should refer to the going concern assumption in Note 1 to the Financial Statements.

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

a) Amounts included in Selling, general and administrative expenses

Compensation of key management personnel

Certain services of C-suite executives of GABY were provided through companies controlled by certain shareholders ("**Management Entities**"). The C-suite executives, along with the Board have the authority and responsibility for directing and controlling the activities of the Corporation. Compensation for consulting 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.

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. In addition, a KMP has provided a personal guarantee in respect of a building lease for which they are compensated by common shares based upon two percent of the outstanding lease liability. 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.

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. With the completion of the Q1 2021 Financing, the promissory notes and convertible debentures previously outstanding, as well as most of the accounts payable and accrued liabilities outstanding to related parties, was repaid.

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Corporation adopted no new accounting policies during the quarter.

VOTING SECURITIES AND SECURITIES CONVERTIBLE INTO VOTING SECURITIES OUTSTANDING

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

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	711,217,305	711,217,305
Warrants	262,674,407	262,674,407
Options	4,875,000	4,875,000
Restricted Share Units	49,281,666	49,281,666
Broker Warrants – issued February 2021	7,992,569	15,985,138
Total Fully Diluted Capital		1,044,033,516

(1) Reflects issuance of 21,015,413 common shares and 11,166,667 Restricted Share Units, expiration of 800,000 Warrants and forfeiture of 2,000,000 Restricted Share Units subsequent to March 31, 2022
(2) All of the Options are out of the money and not expected to be exercised before their expiration date.
(3) All of the Warrants are out of the money

RISK FACTORS

Readers should refer to Risk Factors in the Corporation's December 31, 2021 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, which held a Type 11 (as described below) cannabis distribution license for the State of California issued by the CBCC. Pursuant to the shutdown of SPD in Q3 2021, the Type 11 license and related activities particular to that license have terminated.

Effective April 1, 2021, GABY acquired Miramar and its subsidiary, Wild West Industries, Inc. ("Wild West"), which had involvement and exposure to USA-cannabis related activities as follows: In June 2015, the founders of Miramar received a conditional use permit from the City of San Diego to operate a medical marijuana consumer cooperative. Following the passage of the Adult Use of Marijuana Act in 2016, the City of San Diego announced that its licensed dispensaries would be allowed to sell adult-use cannabis as soon as was permissible under California law. The City also allowed local permittees to begin operating for-profit. On January 1, 2018, Miramar began adult-use cannabis sales alongside offering medical cannabis to its customers. Miramar received its annual provisional license for its Type 10 cannabis retail outlet operations in July 2019. In December 2020, Miramar renewed its conditional use permit for an additional five years.

In 2019, Miramar acquired Wild West, a licensed distributor and manufacturer of cannabis products in California. Wild West holds a provisional annual license for Type 6 (non-volatile) manufacturing, and a provisional annual license for distribution of adult-use and medicinal cannabis 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 14 states, the District of Columbia, the Northern Mariana Islands, and Guam. Another 16 states and the U.S. Virgin Islands have decriminalized its use. 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 or passes specific legislation allowing chartered banks to provide banking services to cannabis companies despite that cannabis remains federal illegal.

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").

MAUCRSA went into effect on January 1, 2018. Until recently, the four (4) agencies that regulated marijuana at the state level are the Bureau of Cannabis Control ("BCC"), the California Department of Food and Agriculture ("CDFA"), the California Department of Public Health ("CDPH"), and the California Department of Tax and Fee Administration ("CDTFA"). On July 12, 2021, California Governor Gavin Newson signed into law Assembly Bill 141 (AB-141), which established the Department of Cannabis Control ("DCC"). The DCC consolidates the BCC, CDFA's CalCannabis Licensing Division, and CDPH's Manufactured Cannabis Safety Branch into a single department. The DCC is charged with licensing, inspecting, and providing regulatory oversight over all cannabis businesses in California.

In May 2018, the California Department of Consumer Affairs, the California Department of Public Health and the California Department of Food and Agriculture proposed to re-adopt their emergency cannabis regulations. The three licensing 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, California's three state cannabis licensing authorities announced that 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 authorization is a prerequisite to obtaining state licensure from all three state licensing agencies, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. California has not set a limit on the number of state licenses an entity may hold, unlike other states that have restricted how many cannabis licenses an entity may hold in total or for various types of cannabis activity. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

As of April 1, 2021, the Corporation is further involved in the cannabis-related activities in the state of California through its acquisition of Miramar. Miramar is directly involved in operating a cannabis dispensary, through its Type 10 cannabis retail outlet operations, and through its subsidiary, Wild West, which holds a provisional annual license for Type 6 (non-volatile) manufacturing issued by the Department of Public Health of the State of California, and a provisional annual license for distribution of adult-use and medicinal cannabis issued by the CBCC. Miramar has represented to the Corporation as of the date of this document, that its business, including Wild West, was 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. Sonoma Pac was granted full zoning and use permits by Sonoma County on March 14, 2019. Miramar and Wild West have represented to the Corporation that they 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 Wild West have been subject to annual site visits from the DCC and all minor non-conformances have been rectified.

Retail Compliance

California requires that certain warnings, images, and content information to be printed on all marijuana packaging. CBCC 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

The Corporation relies on 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 the Corporation fully informed of regulatory changes and recommend standard operating procedures to facilitate the implementation and maintenance of compliant operations, required tracking and license reporting. The Corporation will continue to work closely with the advisors to develop and improve its internal compliance program and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework.

The internal compliance program, including the update of operational procedures and use of checklists, requires continued monitoring by managers and executives of the Corporation to ensure all operations conform with legally compliant standard operating procedures. In anticipation of future growth, the Corporation is investigating a number of software solutions developed specifically for the cannabis industry to allow for automation of both internal as well as third-party compliance auditing, covering all state and municipal, facility and operational requirements to maintain licensing criteria. Sonoma Pac is required to report and disclose to the Corporation all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them. As at the date of this document, to the best of Management's belief, he Corporation's licensed subsidiaries are in compliance with all material 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

While Management believes the continued harvesting of synergies from the Miramar Transaction, in conjunction with prudent management of working capital, will enable GABY to support operations over the next year and beyond, the Corporation may require additional capital 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.

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. As a result, the Corporation may have limited or no access to banking or other financial services in the USA. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned or to operate efficiently.

Anti-Money-Laundering Laws and Regulations

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

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

Heightened Scrutiny by Regulatory Authorities

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

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

As at December 31, 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.

NON-GAAP DISCLOSURE

Adjusted EBITDA from continuing operations is used by management and investors to analyze the Corporation's profitability based on the Corporation'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 Corporation'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 for the quarters ended March 31, 2022 and 2021:

	For the Quarters ended March 31,	
	2022	2021
Net income (loss) from continuing operations:	**1,547,651**	(2,519,830)
Add (subtract):		
Interest expense	**1,036,340**	135,261
Income tax expense (recovery)	**632,604**	(7,308)
Depreciation (COGS and operating)	**285,380**	61,191
Amortization	**272,246**	-
EBITDA	**3,774,221**	(2,330,686)
Adjustments:		
Share-based compensation and expenses	**408,107**	220,072
Other (income) expense aside from interest expense	**(3,678,194)**	1,285,180
Adjusted EBITDA	**504,134**	(825,434)

Adjusted EBITDA 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) Interest expense is added back as it is related to financing decisions
2) 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.
3) Depreciation and amortization, as they are non-cash charges and not indicative of operational performance.
4) Share-based compensation, which is a non-cash expense.
5) 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 dissolution of subsidiary
        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 gain (loss)
Interest income
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. In particular, but without limiting the foregoing, disclosure in this MD&A as well as statements regarding the Corporation's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry, its medical, adult-use and hemp-based CBD markets, and the general expectations of the Corporation concerning the industry and the Corporation's business and operations are based on estimates prepared by the Corporation using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

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