

# GABRIELLA'S KITCHEN

## Gabriella's Kitchen Announces Q3 2018 Financial and Operating Results

**CALGARY, ALBERTA & SANTA ROSA, CALIFORNIA– November 29, 2018** – Gabriella's Kitchen Inc. ("**GABY**" or the "**Company**") (CSE: **GABY**), an innovative and leading-edge cannabis wellness company, is pleased to announce its financial and operating results for the three and nine-month periods ending September 30, 2018.

*The Company's unaudited condensed interim consolidated financial statements and corresponding Management's Discussion and Analysis (MD&A) – Quarterly Highlights for the period will be available on SEDAR at [www.sedar.com](http://www.sedar.com), on the CSE website at [www.thecse.com](http://www.thecse.com) and on Gabriella's Kitchen's website at [www.gabriellas-kitchen.com](http://www.gabriellas-kitchen.com). Copies of the materials can also be obtained upon request without charge by contacting the Company directly.*

### **Q3 AND YEAR TO DATE ("YTD") 2018 HIGHLIGHTS:**

- Increased total gross sales by 78% and 134% to \$539,766 and \$1.76 million, respectively, in Q3/18 and YTD 2018 relative to the same periods in 2017;
- Growth in the US consumer market led to meaningful US gross sales increases of 129% and 259% to \$430,540 and \$1.48 million for Q3/18 and YTD 2018, respectively, compared to the same periods in 2017;
- Canadian gross sales of \$109,226 and \$287,281 were 5% and 16% lower for the three and nine-months ended September 30, 2018, respectively, relative to the same periods the prior year due largely to GABY's increased focus on accessing the larger US market through an expanded US sales force;
- Positioning for future growth and improving GABY's access to capital markets resulted in an increase in net loss and comprehensive loss to \$2.1 million in Q3/18 compared to \$0.9 million in Q3/17, with higher operating expenses of \$0.7 million mostly due to costs associated with attaining a public listing and increased investment in human capital required to execute on the Company's growth strategy plus a \$0.5 million non-cash interest accretion on bonds;
- Net loss and comprehensive loss increased to \$5.0 million YTD in 2018, compared to the same period in 2017 of \$2.7 million, primarily due to higher operating costs of \$1.1 million which stem from the above referenced public listing and strategy execution costs, including the launch of *alto*<sup>™</sup>, non-cash interest accretion on bonds of \$0.6 million and a non-cash share-based contract cancellation cost of \$0.3 million;
- Announced the strategic acquisition of The Oil Plant ("**TOP**") during the quarter which closed October 1, 2018 and subsequent to quarter end, announced the acquisition of Sonoma Pacific Distribution ("**Sonoma**") which is expected to close in early 2019. These two acquisitions will provide GABY with access to manufacturing and distribution for the Company's own cannabis-infused products as well as partnering opportunities for the joint marketing of third-party

cannabis and hemp-infused products. GABY's pro forma gross sales<sup>1</sup> assuming the acquisitions took place January 1, 2018 would have been \$6.0 million for the nine-months ended September 30, 2018;

- Attainment of a listing on the Canadian Securities Exchange (“CSE”) (CSE: GABY) during the quarter has afforded the Company an elevated profile for both investors and consumers, enhanced its access to capital and improved its trading liquidity, which has been supported by GABY's ongoing engagement with the capital markets through an active investor relations and corporate communications program; and
- Sound corporate governance practices continued to be demonstrated during the quarter with the establishment of a new Governance and Human Resources Committee, the reconstitution of the Audit Committee, and the appointment of a Lead Director. In addition, GABY supplemented the skills, experience and independence of its Board of Directors with the appointment of Mr. Russell Wilson, New Business Ventures Manager at Prairie Merchant Corporation in early September 2018.

#### POST-QUARTER END HIGHLIGHTS

- In November 2018, the 20-day volume weighted average trading price of GABY's Common Shares exceeded \$0.50 per share, triggering the Company's ability to accelerate the expiry of its outstanding warrants at any time with 30 days notice. Although the Company has no current intention to do so, exercising this ability could generate potential proceeds of \$15,456,764 if all warrants were exercised prior to expiration;
- In early November, GABY successfully launched its *alto*<sup>™</sup> brand of cannabis infused products in Northern California, distributed through Sonoma's existing network channels;
- Consistent with its expanded focus on the US marketplace, an application was submitted to have GABY's common shares quoted on the *OTCQB* Venture Market (the “*OTCQB*”) supporting its strategy to introduce the Company to a broader range of US institutional and retail investors; and
- Two key management members were appointed subsequent to the end of Q3/18, further positioning GABY for profitable growth and broader market expansion. With the acquisition of TOP and announced acquisition of Sonoma, Ms. Mara Gordon and Mr. Aaron Browe took the positions of Chief Research Officer and Senior Vice President of Global Distribution, respectively.

“Sales growth in the US continued to exceed internal expectations for the third quarter of 2018,” said Margot Micallef, Founder and CEO of GABY. “With the closing and announcement of our recent strategic acquisitions, GABY will have access to both a manufacturing and distribution license in California, which when combined with the launch of our *alto*<sup>™</sup> infused products line and our extensive experience in mainstream grocery, positions the Company to benefit from significant potential revenue growth.”

GABY's progress through the third quarter and YTD 2018 were significant, as associated costs and investments in growth resources were reflected in the Company's net loss in Q3/18 and YTD 2018 of \$2.1 million and \$5.0 million. The achievements and milestones met to date uniquely position GABY to realize significant potential growth in the cannabis wellness space. As a result of the announced and completed strategic acquisitions, coupled with organic growth through the sale of GABY's own non-infused and cannabis-infused products, the Company is ideally situated to capitalize on unique opportunities including additional potential acquisitions and the launch of further cannabis-infused products. Regulation changes

in California are pending which would prohibit white label manufacturing for brands that do not hold a license issued by the Bureau of Cannabis Control. This is expected to create opportunities for GABY to acquire 'orphan brands' that have lost their manufacturing capabilities and as such, would benefit from the Company's manufacturing license as well as its mainstream and licensed distribution infrastructure to both protect and grow the market share of such brands.

## FINANCIAL OVERVIEW

	Three months ended Sept 30,			Nine months ended Sept 30,		
	2018	2017	%	2018	2017	%
	\$	\$		\$	\$	
Gross Sales - Canada	109,226	115,109	(5%)	287,281	342,546	(16%)
Gross Sales - US	430,540	188,278	129%	1,484,736	411,224	259%
Gross Sales	539,766	303,387	78%	1,762,017	753,770	134%
Sales	289,092	239,737	21%	1,066,148	609,283	75%
Sales as a percentage of gross sales	54%	79%		61%	81%	
Net loss and comprehensive loss	(2,107,367)	(924,530)	92%	(4,957,240)	(2,694,934)	84%
Basic and diluted earnings per share <sup>(1,2)</sup>	(0.03)	(0.02)	37%	(0.09)	(0.06)	39%
Weighted average number of common shares						
– basic and diluted <sup>(1)</sup>	74,514,796	44,874,776	66%	56,991,733	42,969,443	33%
Retail locations, period end <sup>(3)</sup>	3,217	1,963	64%			
Retail facings, period end <sup>(4)</sup>	11,613	8,159	42%			

(1) On April 18, 2018, the Company amended its articles to effect a subdivision of its common shares on the basis of seven Common Shares for post-subdivision Common Shares for each pre-subdivision Common Share then outstanding, and to amend its articles to replace the existing classes of shares of the Company with one class of common shares and one class of preferred shares. The outstanding share capital disclosed in the notes above reflect the-subdivision.

(2) Percentage change based on unrounded earnings per share

(3) Number of stores in which GABY stocks and sells its products

(4) Sum of each retail location multiplied by the number of product lines that location stocks

### <sup>1</sup> NON-GAAP MEASURE

Pro forma gross sales is not defined under IFRS and is therefore considered a non-GAAP measure. Management believes that, in addition to gross sales and net loss, pro forma gross sales is a useful supplemental measure to our investors as management relies on it to provide insight into future operations. This measure does not have any standardized meaning as prescribed by IFRS 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. Pro forma sales for the nine months ended September 30, 2018 is calculated as follows:

In \$	Gross sales
As reported in the Consolidated Financial Statements	1,762,017
Sonoma gross sales as reported in its internally prepared and unaudited financial statements USD \$3,300,000 translated at an average rate of 1.28804 CAD to 1 USD for the period January 1, 2018 to September 30, 2018	4,250,532
TOP gross sales as reported on its internally prepared and unaudited sales records USD \$23,146 translated at an average rate of 1.30496 CAD to 1 USD for August 2018 (date of substantial start-up operations for TOP)	30,205
Pro forma gross sales	6,042,754

## About Gabriella's Kitchen

Gabriella's Kitchen (GABY) is a pure-play cannabis edibles and wellness products company which currently holds a manufacturing license and will hold a distribution license issued by the California Bureau of Cannabis Control upon closing of the Sonoma acquisition. With these licenses, its existing infrastructure of major retailers and an extensive broker and distribution network, GABY is positioned to service mainstream grocery with CBD infused products, as well as licensed cannabis retailers with CBD and THC-infused edible and wellness products throughout Canada and the U.S. The Company also has over 25 non-infused products available in more than 3,400 major retail stores across North America.

Margot and her sister, Gabriella, co-founded GABY to bring high quality, delicious and healthy superfoods to the market. The desire to create the all-encompassing wellness company came after Gabriella received a dire cancer diagnosis which spurred the sisters to prolong Gabriella's life through a holistic approach to health. GABY directly and through The Oil Plant ("TOP") now offers a diverse range of products that cater to a variety of dietary and health concerns. Although Gabriella ultimately passed away from her illness, she lived exponentially longer than doctors predicted. Her memory and passion live on through GABY's mission: to empower people to live healthy lives without compromise.

**Further information:**

For investment inquiries, please contact Margot Micallef, Founder & CEO or Scott Koyich, Investor Relations at IR@gabriellas-kitchen.com or (800) 674-2239.

For media inquiries, please contact Lana Rogers, Public Relations Consultant, at Lana@Lanarogerspr.com or (403) 519-7959.

**Disclaimer and Forward-Looking Information**

*The Canadian Securities Exchange does not accept responsibility for the adequacy or accuracy of this release. Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond the control of Gabriella's Kitchen Inc. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Forward looking statements include, but are not limited to, the anticipated availability of the Company's Infused Products. The Company assumes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.*

*The Oil Plant, Inc. ("TOP") is a wholly owned subsidiary of GABY. TOP owns cannabis license in California. Cannabis is legal in the State of California however cannabis remains illegal under United States ("U.S.") federal laws. The U.S. Department of Justice issued guidance in 2013 indicating that it will focus on certain enforcement priorities, outside of which it will generally not enforce federal prohibitions on cannabis in U.S. states that have authorized this conduct so long as the U.S. state has implemented a strong and effective regulatory program. This federal guidance is subject to change, rescission or alteration by other federal government policy pronouncements at any time. TOP's business is conducted in a manner consistent with the State law of California and is in compliance with regulatory and licensing requirements applicable in the State of California. However, the readers should be aware that change in federal guidance on enforcement actions could adversely affect TOP's ability to access private and public capital required in order to support continuing operations and its ability to operate in the U.S.*

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