

GENERAL ASSEMBLY HOLDINGS LIMITED

(formerly Lalani Thompson Holdings Inc.)
Condensed Interim Combined Consolidated Financial Statements
For the three and nine months ended Sept 30, 2021 and 2020
(expressed in Canadian Dollars - unaudited)

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GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
Condensed Interim Combined Consolidated Statements of Financial Position
(expressed in Canadian dollars - unaudited)

	Note	As at September 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 2,297,355	\$ 878,505
Amounts receivable	3	1,062,226	184,876
Inventory	4	220,887	28,226
Prepaid expenses and deposits	5	243,434	18,805
Total current assets		3,823,902	1,110,412
Non-current assets			
Prepaid expenses and deposits	5	183,933	23,150
Right-of-use assets	6	4,975,245	1,256,869
Property and equipment	7	2,730,060	706,411
Total non-current assets		7,889,238	1,986,430
Total assets		\$ 11,713,140	\$ 3,096,842
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 2,578,639	\$ 961,669
Unearned revenue		44,636	21,456
Current portion of lease liability	9	523,731	219,185
Current portion of loans	10	—	87,500
Derivative warrant liability	11	3,143,741	693,491
Share issuance liability	12	—	756,409
Total current liabilities		6,290,747	2,739,710
Long-term liabilities			
Lease liability	9	4,641,099	1,281,747
Loans	10	32,019	32,019
Total long-term liabilities		4,673,118	1,313,766
Total liabilities		10,963,865	4,053,476
Shareholders' equity (deficiency)			
Share capital	13	9,358,670	1,612,051
Warrants	14	3,477,687	626,590
Contributed surplus	14	491,518	15,168
Deficit		(12,578,600)	(3,210,443)
Total shareholders' equity (deficiency)		749,275	(956,634)
Total liabilities and shareholders' equity (deficiency)		\$ 11,713,140	\$ 3,096,842

Nature of operations and going concern (note 1)

Subsequent events (note 21)

Approved on behalf of the Board:

/s/ Ted Hastings
Ted Hastings, Director and
Chairman of the Board

/s/ Ali Khan Lalani
Ali Khan Lalani, Director and
CEO

The accompanying notes form an integral part of these condensed interim combined consolidated financial statements.

GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
Condensed Interim Combined Consolidated Statement of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	17	\$ 1,291,960	\$ 472,726	\$ 3,638,169	\$ 1,384,640
Expenses					
Procurement expense	18	848,831	213,513	2,083,893	680,977
Fulfillment expense	18	499,778	98,460	1,374,579	197,625
General and administrative expense	18	2,285,739	163,390	5,414,597	533,514
Sales and marketing expense		475,524	53,336	1,545,415	119,055
Total Expenses		4,109,872	528,699	10,418,484	1,531,171
Operating Loss		(2,817,912)	(55,973)	(6,780,315)	(146,531)
Other (income) expense:					
Finance expense	9, 10	69,004	92,575	130,578	232,855
Foreign exchange		3,349	—	7,014	—
Gain on lease concession		—	(45,386)	—	(92,223)
Remeasurement of derivative warrant liability	11	1,519,894	—	2,450,250	—
Total other (income) expense		1,592,247	47,189	2,587,842	140,632
Income (loss) before income taxes		(4,410,159)	(103,162)	(9,368,157)	(287,163)
Provision (benefit) for income taxes		—	—	—	—
Net income (loss) and comprehensive income (loss)		\$ (4,410,159)	\$ (103,162)	\$ (9,368,157)	\$ (287,163)
Income (loss) and comprehensive income (loss) per share					
Basic		\$ (0.20)	\$ (10.35)	\$ (0.44)	\$ (28.77)
Diluted		\$ (0.20)	\$ (10.35)	\$ (0.44)	\$ (28.77)
Weighted average number of shares outstanding					
Basic		22,348,744	9,967	21,318,716	9,983
Diluted		22,348,744	9,967	21,318,716	9,983

The accompanying notes form an integral part of these condensed interim combined consolidated financial statements.

GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
Condensed Interim Combined Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended September 30, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	Share Capital		Warrants	Contributed Surplus	Deficit	Total
	Common shares Number	Common shares Amount				
Balance – December 31, 2019	10,100	\$ 310	\$ —	\$ —	\$ (1,261,019)	\$ (1,260,709)
Share reorganization	(100)	(100)	—	—	—	(100)
Net loss and comprehensive loss	—	—	—	—	(287,163)	(287,163)
Balance – September 30, 2020	10,000	210	—	—	(1,548,182)	(1,547,972)
Balance – December 31, 2020	13,372,854	\$ 1,612,051	\$ 626,590	\$ 15,168	\$ (3,210,443)	\$ (956,634)
Issuance of units in connection with the Series A Financing, net of issuance costs	2,249,939	638,677	212,892	—	—	851,569
Issuance of units in February 2021 in connection with the Going Public Financing, net of issuance costs	5,787,583	7,128,443	1,358,870	—	—	8,487,313
Issuance of units in connection with the conversion of debt	437,229	635,303	121,106	—	—	756,409
Issuance of common shares in connection with finders fees	210,658	—	—	—	—	—
Issuance of units in April 2021 in connection with the Going Public Financing, net of issuance costs	290,481	421,984	80,441	—	—	502,425
Issuance of advisory warrants	—	(668,383)	668,383	—	—	—
Issuance of Series A advisory warrants	—	(75,377)	75,377	—	—	—
Issuance of Going Public advisory warrants	—	(47,955)	47,955	—	—	—
Issuance of Broker Warrant units	—	(286,073)	286,073	—	—	—
Stock based compensation	—	—	—	476,350	—	476,350
Net loss and comprehensive loss	—	—	—	—	(9,368,157)	(9,368,157)
Balance – September 30, 2021	22,348,744	\$ 9,358,670	\$ 3,477,687	\$ 491,518	\$ (12,578,600)	\$ 749,275

The accompanying notes form an integral part of these condensed interim combined consolidated financial statements.

GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
Condensed Interim Combined Consolidated Statements of Cash Flows
For the nine months ended September 30, 2021 and 2020
(expressed in Canadian dollars - unaudited)

		For nine months ended	
	Note	September 30, 2021	September 30, 2020
Cash flows from operating activities			
Net loss		\$ (9,368,157)	\$ (287,163)
Changes in non-cash operating items:			
Stock based compensation	14	476,350	33,923
Depreciation		395,769	248,575
Finance charges		—	143,462
Gain on lease concession	9	—	(92,223)
Remeasurement of derivative warrant liability	11	2,450,250	—
Interest expense on loans and lease liability	9	129,778	89,393
Changes in non-cash working capital			
Inventory		(192,661)	43,155
Amounts receivable		(993,837)	21,339
Prepaid expenses and deposits		(385,412)	(11,716)
Unearned revenue		23,180	16,500
Accounts payable and accrued liabilities		913,827	16,739
Net cash provided by (used in) operating activities		<u>(6,550,913)</u>	<u>221,984</u>
Cash flows from financing activities			
Lease payments	9	(439,532)	(134,946)
Net proceeds from Series A financing, net of issuance costs	13	968,056	—
Net proceeds from Going Public financing, net of issuance costs	13	8,989,738	—
Payment of loan interest		—	(107,497)
Payment of finance charge		—	(67,773)
Proceeds from loans	10	—	40,000
Repayment of loans	10	(87,500)	—
Net cash provided by (used in) financing activities		<u>9,430,762</u>	<u>(270,216)</u>
Cash flows from investing activities			
Acquisition of property and equipment	7	(1,460,999)	(54,833)
Net cash used in investing activities		<u>(1,460,999)</u>	<u>(54,833)</u>
Change in cash and cash equivalents during the period		1,418,850	(103,065)
Cash and cash equivalents – beginning of period		878,505	195,087
Cash and cash equivalents – end of period		<u>\$ 2,297,355</u>	<u>\$ 92,022</u>
Supplemental disclosure of non-cash transactions			
Additions to right-of-use assets under leases	6	3,973,652	120,710
Shares issued to settle share issuance liability		756,409	—

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GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
Notes to the Condensed Interim Combined Consolidated Financial Statements
For the nine months ended September 30, 2021 and 2020
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1. NATURE OF OPERATIONS AND GOING CONCERN

General Assembly Holdings Limited (formerly Lalani Thompson Holdings Inc.) (the "Company" or "GA") is a corporation incorporated on June 30, 2017, in the province of Ontario. The Company's operating subsidiary, 2499754 Ontario Limited ("249"), operating as General Assembly Pizza, was incorporated on January 12, 2016. 249 operates a pizza restaurant where it also manufactures and distributes frozen pizza directly to consumers through a subscription offering as well as the sale of consumer packaged goods ("CPG") direct to specialty grocery stores.

Effective June 3, 2021, the Company's shares commenced trading on the TSX Venture Exchange (the "TSXV") under the symbol "GA".

The Company's registered and records office are located at 331-333 Adelaide Street West, Toronto, Ontario, M5V 2G5.

These condensed interim combined consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These condensed interim combined consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim combined consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim combined consolidated financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended December 31, 2020 and 2019.

These condensed interim combined consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 29, 2021.

Basis of presentation

The condensed interim combined consolidated financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
Notes to the Condensed Interim Combined Consolidated Financial Statements
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Functional and presentation currency

These condensed interim combined consolidated financial statements have been prepared in Canadian dollars (“CAD”), which is the Company’s and subsidiaries functional and presentation currency.

Basis of combined consolidation

These condensed interim combined consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, as well as 249. All inter-company transactions are eliminated on consolidation.

Prior to September 1, 2020, the Company and 249 were under common control by the same party. On September 1, 2020, the group reorganized such that the shareholders of 249 assigned their shares in 249 to the Company (the “Reorganization”). As a result of the Reorganization, 249 has been a wholly owned subsidiary of the Company since September 1, 2020. These condensed combined consolidated financial statements have been prepared on a combined basis with all intercompany transactions being eliminated.

The condensed interim combined consolidated statements of shareholders’ equity (deficiency) have been prepared as a combination of the Company and 249 prior to the Reorganization before September 1, 2020 and as a continuation of the Company to be consistent with the consolidation structure on and after September 1, 2020.

On October 16, 2020, the Company incorporated two wholly owned subsidiaries: 1) GA Subscriptions Limited (incorporated in the Province of Ontario), and 2) GA CPG Limited (incorporated in the province of Ontario). Both have been consolidated as wholly owned subsidiaries of the Company.

3. AMOUNTS RECEIVABLE

	<u>As at September 30,</u> 2021	<u>As at December 31,</u> 2020
Trade receivables	311,067	68,389
Sales tax receivable	751,159	—
Share subscription receivable	—	116,487
Amounts receivable	\$ 1,062,226	\$ 184,876

Trade receivables are comprised of 1) trade receivables from third party sales platforms for restaurant sales, 2) third party payment processing service providers for direct-to-consumer revenue, and 3) trade receivables from the sale of CPG goods to specialty markets. Sales tax receivable is comprised of input tax credits receivable from the CRA. Share subscription receivable relates to the net proceeds from unit subscriptions in connection with the Series A financing that closed subsequent to December 31, 2020 (note 13). The Company has assessed the expected credit loss to be nominal for the three and nine months ended September 30, 2021, and 2020.

4. INVENTORY

	<u>As at September 30,</u> 2021	<u>As at December 31,</u> 2020
Food and beverages	\$ 36,730	\$ 13,677
Packaging	145,494	—
Finished goods	38,663	14,549
Inventory	\$ 220,887	\$ 28,226

The cost of inventory recognized as an expense within procurement expense during the three and nine months ended September 30, 2021, was \$373,563 and \$961,618 respectively (2020 – \$86,782 and \$290,293 respectively).

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5. PREPAID EXPENSES AND DEPOSITS

	<u>As at September 30,</u> 2021	<u>As at December 31,</u> 2020
Prepaid expenses	51,429	10,000
Vendor deposits	375,938	31,955
Prepaid expenses and deposits	<u>\$ 427,367</u>	<u>\$ 41,955</u>
Current	243,434	18,805
Long-term	<u>183,933</u>	<u>23,150</u>

The long-term portion of prepaid expenses and deposits consists of \$170,725 of deposits to cover the security deposits for the Company's leases and \$13,208 of deposits related to ongoing operating costs.

6. RIGHT-OF-USE ASSET

	Facilities	Equipment	Vehicles	Total
Balance as at December 31, 2019	\$ 1,172,498	\$ 134,365	\$ —	\$ 1,306,863
Lease additions	—	28,192	92,518	120,710
Depreciation	(114,701)	(40,945)	(8,514)	(164,160)
Balance as at September 30, 2020	<u>\$ 1,057,797</u>	<u>\$ 121,612</u>	<u>\$ 84,004</u>	<u>\$ 1,263,413</u>
Balance as at December 31, 2020	1,019,564	108,941	128,364	1,256,869
Lease additions	3,724,521	—	249,131	3,973,652
Depreciation	(183,759)	(34,462)	(37,055)	(255,276)
Balance as at September 30, 2021	<u>\$ 4,560,326</u>	<u>\$ 74,479</u>	<u>\$ 340,440</u>	<u>\$ 4,975,245</u>

The Company recorded depreciation for the manufacturing facility and restaurant equipment leases as an expense within procurement expense during the three and nine months ended September 30, 2021, which amounted to \$64,511 and \$163,953 respectively (2020 – \$52,733 and \$155,646, respectively). The Company recorded depreciation for the office equipment and vehicle leases as an expense within general and administrative expense during the three and nine months ended September 30, 2021, which amounted to \$60,579 and \$91,323 respectively (2020 – \$5,708 and \$8,514, respectively).

7. PROPERTY AND EQUIPMENT

COST	Leasehold improvements	Furniture and Fixtures	Equipment	Total
Balance as at December 31, 2019	\$ 904,541	\$ 67,599	\$ 15,053	\$ 987,193
Additions	6,000	—	49,132	55,132
Balance as at December 31, 2020	<u>910,541</u>	<u>67,599</u>	<u>64,185</u>	<u>1,042,325</u>
Additions	18,361	459,599	1,686,182	2,164,142
Balance as at September 30, 2021	<u>\$ 928,902</u>	<u>\$ 527,198</u>	<u>\$ 1,750,367</u>	<u>\$ 3,206,467</u>
ACCUMULATED DEPRECIATION				
Balance as at December 31, 2019	\$ 189,982	\$ 28,166	\$ 4,262	\$ 222,410
Depreciation	93,767	13,520	6,217	113,504
Balance as at December 31, 2020	<u>283,749</u>	<u>41,686</u>	<u>10,479</u>	<u>335,914</u>
Depreciation	71,857	27,394	41,242	140,493
Balance as at September 30, 2021	<u>\$ 355,606</u>	<u>\$ 69,080</u>	<u>\$ 51,721</u>	<u>\$ 476,407</u>
At December 31, 2020	\$ 626,792	\$ 25,913	\$ 53,706	\$ 706,411
At September 30, 2021	\$ 573,296	\$ 458,118	\$ 1,698,646	\$ 2,730,060

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The Company recorded depreciation for leasehold improvements and equipment of the manufacturing facility, restaurant, and the office space as an expense within procurement expense during the three and nine months ended September 30, 2021, which amounted to \$53,114 and \$105,531, respectively (2020 – \$21,858 and \$74,275 respectively). The Company also recorded depreciation related to manufacturing, restaurant and office space from leasehold improvements and furniture and fixtures as an expense within general and administrative expense during the three and nine months ended September 30, 2021, which amounted to \$23,497 and \$34,962, respectively (2020 – \$3,380 and \$10,140, respectively).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>As at September 30,</u> <u>2021</u>	<u>As at December 31,</u> <u>2020</u>
Trade accounts payable	\$ 1,253,173	\$ 394,346
Capital expenditures payable	703,143	—
Accrued liabilities	622,323	532,804
Sales tax payable	—	34,519
Accounts payable and accrued liabilities	\$ 2,578,639	\$ 961,669

Trade payables are comprised of payables related to raw materials, supplies, fulfillment expenses and amounts owing for professional service fees for legal, accounting and go public costs. Sales tax payable is comprised of input tax credits payable to the CRA.

9. LEASE LIABILITY

The Company's leases consist of a manufacturing facility, restaurant and office space equipment, and vehicles. The Company has recognized right-of-use assets in respect of these leases (note 6).

The Company has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at rates ranging from 3.8% to 12%. Interest on lease liabilities is included in interest expense in the combined consolidated statements of loss and comprehensive loss. The carrying amount of the Company's lease liabilities is summarized in the table below.

	Facilities	Equipment	Vehicles	Total
Balance as at December 31, 2019	\$ 1,455,344	\$ 87,669	\$ —	\$ 1,543,013
Lease additions	—	28,191	92,518	120,709
Interest expense	83,525	4,465	1,403	89,393
Lease payments	(90,774)	(37,426)	(6,746)	(134,946)
Gain on lease concession	(90,774)	(1,449)	—	(92,223)
Balance as at September 30, 2020	\$ 1,357,321	\$ 81,450	\$ 87,175	\$ 1,525,946
Balance as at December 31, 2020	1,323,327	61,768	115,837	1,500,932
Lease additions	3,724,521	—	249,131	3,973,652
Interest expense	122,101	1,975	5,702	129,778
Lease payments	(325,789)	(50,689)	(63,054)	(439,532)
Balance as at September 30, 2021	\$ 4,844,160	\$ 13,054	\$ 307,616	\$ 5,164,830
Current portion	444,554	11,804	67,373	523,731
Long-term portion	4,399,606	1,250	240,243	4,641,099

During the nine-month period ended September 30, 2021, the Company entered into a series of new lease agreements including a new manufacturing facility lease, an expansion to its original restaurant facility lease and four vehicle leases. The discount rate applied to these leases ranged from 4.4% to 12% determined based on the incremental borrowing rate that would be paid on a similar security over a similar term.

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The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at September 30, 2021:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Facility	\$ 930,255	\$ 4,139,048	\$ 1,740,669
Equipment	12,477	3,393	—
Vehicles	78,646	250,852	—
Total	\$ 1,021,378	\$ 4,393,293	\$ 1,740,669
	14%	61%	25%

10. LOANS

	As at September 30, 2021	As at December 31, 2020
Beginning balance	\$ 119,519	\$ 2,219,569
Additions	—	30,164
Interest expense	—	129,473
Interest accretion	—	1,855
Reclassified to accounts payable and accrued liabilities	—	(10,500)
Repayments of principal and interest	(87,500)	(449,633)
Reclassified to share issuance liability	—	(756,409)
Assignment of debt	—	(1,045,000)
Ending balance	\$ 32,019	\$ 119,519
Current	—	87,500
Long term	32,019	32,019

The Company's loan balance was comprised of seven separate loans which are described as follow:

Loan 1

The Company entered into Loan 1 with one of its shareholders in October of 2016 for total gross proceeds of \$250,000. The loan bears interest at a fixed rate of 5% per annum on the unpaid portion of the principal and accrued interest and is due on demand. On December 31, 2020, the shareholder elected to convert the loan to equity equal to a) the unpaid principal amount of debt of \$250,000 plus b) accrued and unpaid interest of \$56,409. The loan totaling \$306,409 was reclassified to share issuance liability (note 12). The conversion to equity would occur at the unit price of the Going Public Financing (see note 13) which closed on February 2, 2021. There was no interest recorded or paid in 2021. During the three and nine months ended September 30, 2020, interest expense of \$3,769 and \$11,100 was recorded and \$nil was paid.

Loan 2

The Company entered into Loan 2 with one of its shareholders in May of 2017 for total gross proceeds of \$300,000. The loan bears interest at a fixed rate of 7% per annum on the unpaid portion of the principal and is due on demand. On December 31, 2020, the shareholder elected to convert the loan to equity equal to the unpaid principal amount of debt of \$300,000 at the unit price of the Going Public Financing (see note 13) which closed on February 2, 2021. The loan totaling \$300,000 was reclassified to share issuance liability (note 12). The accrued and unpaid interest of \$10,500 was reclassified to accrued liabilities and settled after year end. There was no interest recorded or paid in 2021. During the three and nine months ended September 30, 2020, interest expense of \$5,250 and \$15,750, respectively, was recorded and paid.

GENERAL ASSEMBLY HOLDINGS LIMITED (formerly Lalani Thompson Holdings Inc.)
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Loan 3

The Company entered into Loan 3 with one of its shareholders in August of 2017 for total gross proceeds of \$150,000. The loan bears interest at a fixed rate of 5% per annum on the unpaid portion of the principal and is due on demand. On December 31, 2020, the shareholder elected to convert the loan to equity equal to the unpaid principal amount of debt of \$150,000 at the unit price of the Going Public Financing (see note 13) which closed on February 2, 2021. The loan totaling \$150,000 was reclassified to share issuance liability (note 12). There was no interest recorded or paid in 2021. During the three and nine months ended September 30, 2020, interest expense of \$1,875 and \$5,625 respectively was recorded and paid.

Loan 4

The Company entered into Loan 4 with the Business Development Bank of Canada (“BDC”) in November of 2017 for gross proceeds of \$150,000. The loan bears interest at BDC’s floating base rate plus a variance of 6.63% per year. On the date of inception of the loan, BDC’s floating base rate was 4.8% per year. The loan is for a period of 60 months with monthly principal payments of \$2,500. The loan is guaranteed by two directors of the Company. One of the covenants of Loan 4 is to obtain BDC’s prior written consent to transfer shares or change the effective voting control of the Company. The Company did not obtain written consent prior to the Reorganization on September 1, 2020. At the Company’s election, the loan principal of \$85,000 plus accrued interest and pre-payment indemnity of \$2,552, was repaid in full on February 2, 2021. There was no interest recorded or paid in 2021. During the three and nine months ended September 30, 2020, interest expense of \$2,669 and \$8,481 was recorded and paid.

Loan 5 and Loan 6

In September of 2019, the Company arranged a financing with a third-party (the “Lender”) to be advanced in multiple tranches (the “Loan”). The purpose of the financing was to be used to expand operations by opening additional retail locations through the Greater Toronto Area.

As a condition to the first advance under the Loan, the Lender required that the Company deposit USD \$1,000,000 (the “Security Deposit”) with Lender to be held in escrow by Lender until such time as Lender made the initial advance to the Company under the Loan (the “First Advance”). On or about October 23, 2019, the Company made payment of the Security Deposit to Lender. The funds for the Security Deposit were lent to the Company by two of its shareholders in the amount of \$1,370,000, Loan 5 of \$920,000 and Loan 6 of \$450,000. The Security Deposit was to have been returned to the Company if the First Advance did not occur within fifty-five (55) days following the Company’s payment of the Security Deposit to Lender.

The First Advance did not occur prior to the First Advance Date and Lender had failed and refused to return the Security Deposit. On November 26, 2019, Lender returned USD \$200,000 of the Security Deposit to the Company.

On July 10, 2020, the Company filed a statement of claim against Lender under the Ontario Superior Court of Justice (the “Claim”).

On November 17, 2020, the Company raised \$1,575,000 in connection with an equity financing and used a portion of the proceeds therefrom to make a partial repayment of \$325,000 against Loan 5. On that same day, the shareholder in connection with Loan 5 assigned the balance of their loan owing from the Company, being \$595,000, to the CEO and primary shareholder of the Company (“CEO”), and said shareholder provided a full release to and in favor of the Company of all claims in relation to Loan 5.

On November 24, 2020, the shareholder in connection with Loan 6 transferred Loan 6 to the CEO and provided a full and final release to and in favor of the Company of all claims in relation to Loan 6. Also, on November 24, 2020, the Company assigned its obligations under each of Loan 5, being \$595,000 and Loan 6, being \$450,000 to 2780460 Ontario Ltd. (“278”), a corporation wholly owned by the CEO, and 278 assumed such obligations. In consideration of 278’s assumption of such obligations, the Company also assigned to 278 all of its right, title and interest in and to all claims against Lender, including the Claim.

The Company has discontinued the Claim and 278 is commencing a new claim against Lender based on the same claims as set out in the Claim. As of the date hereof, there are no amounts owing by the Company pursuant to Loans 5 & 6, nor does the Company have any right, title or interest in any claims against the Lender.

For the three and nine months ended September 30, 2020, the Company did not record any interest expense and made no interest payments.

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Loan 7

On April 15, 2020, the Company received a loan of \$40,000 pursuant to the Canada Emergency Business Account (“CEBA”). The CEBA provides zero-interest, partially forgivable loans of up to \$40,000 to small businesses that have experienced diminished revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and employment costs. If the balance of the loan is repaid on or before December 31, 2022, 25% of the loan will be forgiven. The loan bears no interest until December 31, 2022, at which point if unpaid, it will convert to a three-year term loan bearing interest at 5% per annum.

On December 21, 2020, the Company received an additional loan of \$20,000 under the CEBA program on the same terms as the original \$40,000.

The loan was initially measured at its fair value of \$30,164 and is subsequently measured at amortized cost, using an effective interest rate of 11%. The forgivable portion of \$20,000 and the benefit from favorable interest rates of \$9,836 are recorded in government grants in the condensed interim combined consolidated statements of loss and comprehensive loss. During the three and nine months ended September 30, 2021, (2020 - \$646 and \$1,166) of interest accretion related to the CEBA loan was recognized and included in interest expense.

The Company received a benefit of \$9,836 due to the below-market interest rate on the CEBA loan. This benefit was initially recognized as a deferred gain and was recognized as income as the Company used the proceeds from the loan to fund its operational expenditures.

Proceeds	\$	60,000
Forgivable portion		(20,000)
Benefit from favourable interest rate		(9,836)
Initial carrying amount		30,164
Interest accretion		1,855
Balance as at December 31, 2020 and September 30, 2021	\$	<u>32,019</u>

11. DERIVATIVE WARRANT LIABILITY

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the combined consolidated statements of loss and comprehensive loss. The derivative liabilities will ultimately be converted into the Company’s equity (common shares) when the warrants are exercised or will be extinguished on the expiry of the outstanding warrants. The derivative liabilities will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value. Upon exercise, the remeasured fair value is transferred to share capital.

	November 17, 2020 Warrants	
	# of warrants	\$
Balance as at January 1, 2020	—	—
Series 2 derivative warrant liability	3,526,118	596,992
Series 3 derivative warrant liability	1,000,000	308,738
Fair value change on derivative warrant liability	—	(212,239)
Balance December 31, 2020	4,526,118	\$ 693,491
Fair value change on derivative warrant liability	—	2,450,250
Balance September 30, 2021	4,526,118	\$ 3,143,741

Series 2 Derivative Warrant Liability

On November 17, 2020, the Company issued 3,526,118 warrants exercisable into one common share per warrant at a price of \$0.67 per warrant in connection with the November 17, 2020, non-brokered private placement (“Series 2 Warrants”).

The Series 2 Warrants issued pursuant to this offering feature a cashless exercise option that provides a net settlement, whereby holders can receive common shares equal to the fair value of the Series 2 Warrants in lieu of paying the cash exercise price. The fair value is determined by multiplying the number of Series 2 Warrants to be exercised by the difference between the

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preceding 10-day average bid-ask price and the exercise price, with the product divided by the preceding 10-day average bid-ask price. If a Series 2 Warrant holder exercises this option, there will be variability in the number of shares issued per Series 2 Warrant.

The Company uses the Black-Scholes option pricing model to estimate fair value. The Company considers expected volatility of its common shares in estimating its future stock price volatility. Expected volatility was estimated using actual historical volatility of similar public companies. The risk-free interest rate for the life of the Series 2 Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of issue. The life of warrant is based on the contractual term.

The fair value of the Series 2 Warrants was determined using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2021	December 31, 2020	November 17, 2020
Expected volatility	100%	100%	100%
Expected life	1.13 years	1.9 years	2 years
Expected forfeiture rate	0%	0%	0%
Risk-free interest rate	0.52%	0.20%	0.27%
Dividend yield	0%	0%	0%
Share Price	\$ 1.11	\$ 0.36	\$ 0.42
Weighted average fair value per Series 2 Warrant	\$ 0.62	\$ 0.13	\$ 0.17

Series 3 Derivative Warrant Liability

On November 17, 2020, the Company issued 1,000,000 warrants exercisable into one common share per warrant at a price of \$0.15 per warrant in connection with the November 17, 2020, non-brokered private placement (“Series 3 Warrants”). The Series 3 Warrants issued pursuant to this offering feature a cashless exercise option that provides a net settlement, whereby holders can receive common shares equal to the fair value of the Series 3 Warrants in lieu of paying the cash exercise price. The fair value is determined by multiplying the number of Series 3 Warrants to be exercised by the difference between the preceding 10-day average bid-ask price and the exercise price, with the product divided by the preceding 10-day average bid-ask price. If a Series 3 Warrant holder exercises this option, there will be variability in the number of shares issued per Series 3 Warrant.

The fair value of the Series 3 Warrants was determined using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2021	December 31, 2020	November 17, 2020
Expected volatility	100%	100%	100%
Expected life	1.13 years	1.9 years	2 years
Expected forfeiture rate	0%	0%	0%
Risk-free interest rate	0.52%	0.20%	0.27%
Dividend yield	0%	0%	0%
Share Price	\$ 1.11	\$ 0.36	\$ 0.42
Weighted average fair value per Series 3 Warrant	\$ 0.97	\$ 0.25	\$ 0.30

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12. SHARE ISSUANCE LIABILITY

On December 31, 2020, certain debt holders of the Company elected to assign their debt to the Company in exchange for future units of the brokered private placement. The amount to be converted is fixed and the number of units will be determined once the brokered private placement units are priced and issued. The fair value of debt to be converted to units is \$756,409. At December 31, 2020, the obligation to settle debt for units results in a variable number of shares being issued, therefore it fails to meet the definition of equity and it was classified as a share issuance liability pending the closing of the Going Public Financing. The Going Public Financing closed on February 2, 2021 (see note 13) and resulted in the fair value of the share issuance liability being reclassified to share capital and warrants for the fair value of the respective components of the unit.

13. SHARE CAPITAL

The Company's authorized capital includes an unlimited number of Class A to Class J common shares without par value.

Any holder of a class of Class A to J common share shall be entitled to receive dividends as and when declared by the Board on such holder's class of Class A to J common shares, and, in the event of the liquidation, dissolution or winding up of the Company (a "Dissolution Event"), to share ratably with the other holders of Class A to J common shares, subject to prior rights of other holders of any shares ranking senior to the Class A to J common shares with respect to priority upon a Dissolution Event, in all of the property and assets of the Company available for distribution.

The holders of Class A to E common shares are entitled to receive notice of and to attend all meetings of the shareholders and to one vote per share at meetings of the shareholders of the Company, and the Class F to J common shares, except as provided under the *Business Corporations Act* (Ontario), shall not be entitled to receive notice of, to attend, or vote at any meeting of the shareholders of the Company.

During the nine months ended September 30, 2021, the Company had the following transactions impacting share capital:

Series A Financing

Between December 29, 2020 and January 28, 2021, the Company completed a Series A Financing resulting in the issuance of an aggregate of 5,272,047 units at a price of \$0.48 per unit for total gross proceeds of \$2,530,582. Each unit is comprised of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase one additional Common Share at any time following the issuance date and prior to the earlier to occur of (i) the two (2) year anniversary of Liquidity Event, and (ii) the twenty-five (25) year anniversary of the issuance date, at an exercise price of \$0.72 per Common Share.

During the nine months ended September 30, 2021, the Company closed 2,249,939 units for net proceeds of \$851,569.

As part of the transaction, the Company (A) paid an advisory cash fee of \$192,806 in total of which \$82,283 was paid in the nine months ended September 30, 2021, (B) paid a corporate finance fee of \$120,504 by way of issuance of 251,048 units of the Company (the "CF Fee Units"), and (C) issued 401,678 advisory warrant units ("Advisory Warrant Units").

The CF Fee Unit entitles the advisor to 251,048 Common Shares and 125,524 warrants to purchase that same number of Common Shares at any time following the issuance date and prior to the earlier to occur of (i) the two (2) year anniversary of Liquidity Event, and (ii) the twenty-five (25) year anniversary of the issuance date, at an exercise price of \$0.72 per Common Share.

Each Advisory Warrant Unit entitles the advisor to purchase one Series A unit for a period of two (2) years from the Liquidity Event, at an exercise price of \$0.48 per Series A unit for a total 401,678 Common Shares, and warrants to acquire 200,839 Common Shares exercisable at any time for a period of (2) years from the Liquidity Event, at an exercise price of \$0.72 per Common Share.

In addition, as advisory compensation payable in connection with the transaction, the Company paid a finder's fee of \$36,151 by way of issuance of 100,419 Common Shares and issued an advisory warrant exercisable for a period of ten (10) years following the occurrence of a Liquidity Event, to purchase up to 2,700,000 Common Shares at an exercise price of \$0.20 per Common Share.

Total legal fees in connection with the non-brokered private placement was \$31,141.

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Going Public Financing

On February 2, 2021, the Company completed a brokered private placement resulting in the issuance of an aggregate of 6,224,812 units at a price of \$1.73 per unit for total gross proceeds of \$9,535,734. Each unit is comprised of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase one additional Common Share at any time following the issuance date and prior to the earlier to occur of (i) the two (2) year anniversary of Liquidity Event, and (ii) the twenty-five (25) year anniversary of the issuance date, at an exercise price of \$2.60 per Common Share.

As part of the transaction, the Company paid cash commission of \$762,859 and issued 275,598 corporate finance units (“CF BPP Units”). 437,229 units of the offering were issued in connection with the settlement of certain shareholder debt assigned to the Company, which was assigned a value of \$756,409.

Each CF BPP Unit resulted in the issuance of one Common Share, and one half Common Share purchase warrant. Each whole warrant entitles the holder to purchase, at any time following the issuance date and prior to the earlier to occur of (i) the two (2) year anniversary of Liquidity Event, and (ii) the twenty-five (25) year anniversary of the issuance date, one additional Common Share of the Company at an exercise price of \$2.60 per share.

In addition, the Company issued 63,306 Advisory Units (“Advisory Units”) and 377,652 Broker Warrant Units (“Broker Warrant Units”) which will entitle the holder to acquire one underlying broker unit of the Company at any time for a period of two (2) years from the Liquidity Event, at an exercise price equal to the issue price of \$1.73. Total Advisory and Broker Warrant Units issued were 440,958 which when exercised would result in 440,958 Common Shares and warrants which represent an option to acquire 220,479 additional Common Shares at \$2.60 per Common Share exercisable at any time for a period of two (2) years following the Liquidity Event.

On February 8, 2021, the Company paid a finder’s fee equal to 110,239 Common Shares in connection with the transaction. Total legal and transaction fees in connection with the brokered private placement was \$284,917.

Between April 14 and April 19, 2021, the Company completed a non-brokered private placement resulting in the issuance of an aggregate of 290,481 units, at a price of \$1.73 per unit for total gross proceeds of \$502,425. Each unit is comprised of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase one additional Common Share at any time following the issuance date and prior to the earlier to occur of (i) the two (2) year anniversary of Liquidity Event, and (ii) the twenty-five (25) year anniversary of the issuance date, at an exercise price of \$2.60 per Common Share.

During the nine months ended September 30, 2020, the former shareholders of 249 transferred 100 common shares of 249 to the Company, as described above, representing all of the issued and outstanding shares of 249.

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14. RESERVES

Warrants

A summary of warrant transactions are as follows:

	Number of warrants	Weighted average exercise price \$	Warrants	Contributed surplus
Beginning balance, January 1, 2021	6,787,172	\$ 0.54	\$ 626,590	\$ 15,168
Issuance of units in connection with the Series A Financing, net of issuance costs	1,124,962	0.72	212,892	—
Series A advisory warrants	401,678	0.48	75,377	—
Advisory warrants	2,700,000	0.20	668,383	—
Issuance of units in February 2021 in connection with the Going Public Financing, net of issuance costs	2,893,789	2.60	1,358,870	—
Issuance of units in connection with the conversion of debt	218,615	2.60	121,106	—
Going Public advisory warrants	63,306	1.73	47,955	—
Broker Warrant units	377,652	1.73	286,073	—
Issuance of units in April 2021 in connection with the Going Public Financing, net of issuance costs	145,241	2.60	80,441	—
Stock-based compensation	—	—	—	476,350
Ending balance, September 30, 2021	14,712,415	\$ 0.98	\$ 3,477,687	\$ 491,518

	Number of warrants	Weighted average exercise price \$	Warrants	Contributed surplus
Beginning balance, January 1, 2020	—	\$ —	\$ —	\$ —
Issued				
Advisory warrants	750,000	0.05	292,950	—
Issuance of units in connection with the November 17 non-brokered private placement (note 11)	4,526,118	0.56	—	—
Issuance of units in connection with the Series A Financing, net of issuance costs	1,511,054	0.72	333,640	—
Stock-based compensation	—	—	—	15,168
Ending Balance, December 31, 2020	6,787,172	\$ 0.54	\$ 626,590	\$ 15,168

The following provides a summary of warrants outstanding as at September 30, 2021:

Expiry date	Number of warrants outstanding and exercisable	Exercise price \$	Weighted average remaining life (years)
September 3, 2025	750,000	0.05	3.93
November 17, 2022	3,526,118	0.67	1.13
November 17, 2022	1,000,000	0.15	1.13
June 3, 2023	1,511,054	0.72	1.67
June 3, 2031	2,700,000	0.20	9.68
June 3, 2023	401,678	0.48	1.67
June 3, 2023	1,124,962	0.72	1.67
June 3, 2023	440,958	1.73	1.67
June 3, 2023	3,112,404	2.60	1.67
June 3, 2023	145,241	2.60	1.67
	14,712,415	\$ 0.98	3.09

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On September 3, 2020, the Company issued 750,000 warrants convertible to one common share per warrant at a price of \$0.05 per warrant to an advisor of the Company. The fair value of warrants issued for services was determined to be \$292,950, estimated using the Black-Scholes option pricing model with the following assumptions:

	September 3, 2020	
Expected volatility		100%
Expected life		5 years
Expected forfeiture rate		0%
Risk-free interest rate		0.35%
Dividend yield		0%
Weighted average share price	\$	0.42
Weighted average fair value of warrants at grant date	\$	0.39

On December 31, 2020, the Company issued 1,511,054 warrants, convertible to one common share per warrant at a price of \$0.72 per warrant in connection with a Series A Financing of units (note 13). The fair value of warrants issued was determined to be \$333,640, estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2020	
Expected volatility		100%
Expected life		2 years
Expected forfeiture rate		0%
Risk-free interest rate		0.58%
Dividend yield		0%
Weighted average share price	\$	0.36
Weighted average fair value of warrants at grant date	\$	0.24

On January 28, 2021, the Company issued 1,124,962 warrants, convertible to one common share per warrant at a price of \$0.72 per warrant in connection with a Series A Financing of units (note 13). The fair value of warrants issued was determined \$212,892, estimated using the Black-Scholes option pricing model with the following assumptions:

	January 28, 2021	
Expected volatility		100%
Expected life		2 years
Expected forfeiture rate		0%
Risk-free interest rate		0.68%
Dividend yield		0%
Weighted average share price	\$	0.36
Weighted average fair value of warrants at grant date	\$	0.19

On January 13, 2021, the Company issued advisory warrants exercisable for a period of ten (10) years following the occurrence of a Liquidity Event, to purchase up to 2,700,000 Common Shares at an exercise price of \$0.20 per Common Share (note 13). The fair value of warrants issued was determined to be \$891,177 estimated using the Black-Scholes option pricing model with the following assumptions:

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	January 13, 2021	
Expected volatility		100%
Expected life		10 years
Expected forfeiture rate		0%
Risk-free interest rate		0.16%
Dividend yield		0%
Weighted average share price	\$	0.36
Weighted average fair value of warrants at grant date	\$	0.33

The fair value of above warrants in the amount of \$891,177 were allocated between share capital and warrants proportionately, out of which, \$668,383 related to share capital is recorded as a reduction to share capital and \$222,794 related to warrants is recorded as a reduction to warrants reserve.

On January 28, 2021, the Company issued 401,678 Advisory Warrant Units as part of the Series A Financing. Each Advisory Warrant Unit entitles the advisor to purchase one Common Share for a period of two (2) years from the Liquidity Event, at an exercise price of \$0.48 per Common Share for a total 401,678 Common Shares, and a warrant to acquire 200,839 Common Shares exercisable at any time for a period of (2) years from the Liquidity Event, at an exercise price of \$0.72 per Common Share (note 13). The fair value of warrants issued was determined to be \$100,503 estimated using the Black-Scholes option pricing model with the following assumptions:

	January 28, 2021	
Expected volatility		100%
Expected life		2 years
Expected forfeiture rate		0%
Risk-free interest rate		0.16%
Dividend yield		0%
Weighted average share price	\$	0.48
Weighted average fair value of warrants at grant date	\$	0.25

The fair value of above warrants in the amount of \$100,503 were allocated between share capital and warrants proportionately, out of which, \$75,377 related to share capital is recorded as a reduction to share capital and \$25,156 related to warrants is recorded as a reduction to warrants reserve.

On February 2, 2021, the Company issued 2,893,789 warrants in connection with the Going Public Financing (note 13) and issued an additional 218,615 warrant in connection with the conversion of the share issuance liability (note 12) for a total issuance of 3,112,404 warrants. Each warrant is convertible to one common share per warrant at a price of \$2.60 per warrant. The fair value of warrants issued was determined to be \$1,358,870 and \$121,106 respectively, estimated using the Black-Scholes option pricing model with the following assumptions:

	February 2, 2021	
Expected volatility		100%
Expected life		2 years
Expected forfeiture rate		0%
Risk-free interest rate		0.16%
Dividend yield		0%
Weighted average share price	\$	1.45
Weighted average fair value of warrants at grant date	\$	0.48

On February 2, 2021, the Company issued 63,306 Advisory Warrant Units and 377,652 Broker Warrant Units as part of the Going Public Financing (note 13). Each Advisory Warrant Unit and Broker Warrant unit entitles the holder to purchase one

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Common Share for a period of two (2) years from the Liquidity Event, at an exercise price of \$1.73 per Common Share for a total 440,958 Common Shares, and a warrant to acquire 220,479 Common Shares exercisable at any time for a period of (2) years from the Liquidity Event, at an exercise price of \$2.60 per Common Share (note 13). The fair value of warrants issued was determined to be \$57,089 and \$340,563 respectively, estimated using the Black-Scholes option pricing model with the following assumptions:

	February 2, 2021	
Expected volatility		100%
Expected life		2 years
Expected forfeiture rate		0%
Risk-free interest rate		0.16%
Dividend yield		0%
Weighted average share price	\$	1.73
Weighted average fair value of warrants at grant date	\$	0.90

The fair value of above Advisory warrants in the amount of \$57,089 were allocated between share capital and warrants proportionately, out of which, \$47,955 related to share capital is recorded as a reduction to share capital and \$9,134 related to warrants is recorded as a reduction to warrants reserve. The fair value of above Broker warrants in the amount of \$340,563 were allocated between share capital and warrants proportionately, out of which, \$286,073 related to share capital is recorded as a reduction to share capital and \$54,490 related to warrants is recorded as a reduction to warrants reserve.

On April 16, 2021, the Company issued 145,241 warrants in connection with the April Financing (note 13). Each warrant is convertible to one common share per warrant at a price of \$2.60 per warrant. The fair value of warrants issued was determined to be \$80,441 estimated using the Black-Scholes option pricing model with the following assumptions:

	April 16, 2021	
Expected volatility		100%
Expected life		2 years
Expected forfeiture rate		0%
Risk-free interest rate		0.16%
Dividend yield		0%
Weighted average share price	\$	1.45
Weighted average fair value of warrants at grant date	\$	0.56

In addition to the warrants listed above, the Company also issued 4,526,118 warrants in relation to non-brokered private placement for the year ended December 31, 2020 (see note 13).

Stock options

The Company has a stock option plan (the "Plan") under which the Board of Directors may grant to directors, officers, employees, advisors and technical consultants to the Company non-transferable options to purchase common shares. The Plan provides for a maximum number of stock options reserved for issuance equal to 10% of the Company's issued and outstanding common shares. Under the Plan, options generally vest over a period of three years and expire ten years from the grant date.

During the nine months ended September 30, 2021, the Board of Directors agreed to issue stock options under the Plan to various employees, key management, directors, and consultants.

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The following table summarizes the continuity of the stock options during the nine months ended September 30, 2021:

	As at September 30,	
	Number of options	Weighted average exercise price \$
Balance at December 31, 2020	800,000	\$ 0.67
Granted	1,526,250	0.90
Cancelled	(190,500)	0.81
Balance at September 30, 2021	2,135,750	\$ 0.82

The following table provides additional information about the Company's stock options as at September 30, 2021:

Number of Options Outstanding	Exercise Price \$	Expiry Date	Number of Options Exercisable
425,000	\$ 0.67	November 17, 2030	—
375,000	\$ 0.67	December 7, 2030	—
220,000	\$ 0.67	January 4, 2031	35,000
180,000	\$ 0.67	January 31, 2031	—
350,000	\$ 0.48	February 25, 2031	—
200,000	\$ 0.67	April 1, 2031	—
173,750	\$ 1.73	May 25, 2031	—
60,000	\$ 1.73	May 28, 2031	—
2,000	\$ 1.73	June 2, 2031	—
100,000	\$ 1.73	July 20, 2031	—
50,000	\$ 1.30	August 23, 2031	—
2,135,750	\$ 0.82		35,000

Stock options granted were valued using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Nine months ended Sept 30, 2021	Year ended December 31, 2020
Expected volatility	100%	100%
Average expected life	6.1 years	6.1 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	0.42% to 1.10%	0.43% to 0.48%
Dividend yield	0%	0%
Share price	\$0.36 to \$1.45	\$ 0.42
Weighted average fair value of options at grant date	\$ 0.79	\$ 0.31

During the three and nine months ended September 30, 2021, the Company recorded stock-based compensation expense for options of \$239,402 and \$476,350 respectively, with an offsetting increase to contributed surplus. No stock options were exercised during the nine months ended September 30, 2021. The weighted average remaining life of the options is 9.36 years.

15. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per common share for the periods outlined.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Numerator (basic) - Net income (loss) for the period	\$ (4,410,159)	\$ (103,162)	\$ (9,368,157)	\$ (287,163)
Denominator - Number of shares				
Weighted average number of shares outstanding - Basic & Diluted	22,348,744	9,967	21,318,716	9,983
Basic	\$ (0.20)	\$ (10.35)	\$ (0.44)	\$ (28.77)
Diluted	\$ (0.20)	\$ (10.35)	\$ (0.44)	\$ (28.77)

As a result of the net loss for the three and nine months ended September 30, 2021, and 2020, the effect of dilutive securities, including warrants, broker warrants, advisory warrants and stock options described in Note 14, were anti-dilutive for the purposes of calculating diluted loss per common share.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's derivative warrant liability and share issuance liability are measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue, as well as expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned investments. The Company's principal cash requirements are for capital expenditures and working capital needs. The Company uses its operating cash flows and cash balances to maintain liquidity.

The following is an analysis of the contractual maturities of the Company's financial liabilities:

	As at September 30, 2021		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	2,578,639	—	—
Lease liability	1,021,378	4,393,293	1,740,669
Loan payable	—	32,019	—
Total	\$ 3,600,017	\$ 4,425,312	\$ 1,740,669

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	As at December 31, 2020		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	961,669	—	—
Lease liability	324,631	1,137,966	434,467
Loans payable	87,500	32,019	—
Total	\$ 1,373,800	\$ 1,169,985	\$ 434,467

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and amount receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and amounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

Since its incorporation, the Company has not incurred any significant credit loss in respect of its amounts receivable. Based on consideration of all possible default events over the assets' contractual lifetime, the expected credit loss in respect of the Company's amounts receivable was insignificant at September 30, 2021 and December 31, 2020.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, however the Company's exposure to fluctuations in its interest rate is not material.

Commodity price risk

The Company is exposed to increases in the prices of agricultural commodities in operating its business. To manage this exposure, the Company uses purchase arrangements for a portion of its needs for raw materials and supplies.

17. REVENUE

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Restaurant	150,380	365,423	476,788	1,225,569
Direct to consumer	827,956	—	2,443,329	—
Consumer packaged goods	313,624	107,303	718,052	159,071
Total	\$ 1,291,960	\$ 472,726	\$ 3,638,169	\$ 1,384,640

18. EXPENSES CLASSIFIED BY NATURE

Effective for the nine months ended September 30, 2021, the Company elected to change the presentation of its condensed interim combined consolidated statements of net loss and comprehensive loss. The Company believes that the revised presentation of financial information is more relevant and no less reliable for the users of the condensed interim combined consolidated financial statements.

The Company has also reclassified certain items on the comparative condensed interim combined consolidated statement of loss and comprehensive loss to improve clarity. Specifically, amounts previously classified as restaurant supplies in selling, general and administrative expenses have been reclassified to procurement expense during the three and nine months ended September 30, 2021.

Management has applied the change retrospectively. The condensed interim combined consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2020, has been reclassified to conform with the

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presentation adopted in the current period. The following table outlines a summary of the reclassifications and impacts for the three months ended September 30, 2020:

Condensed Interim Combined Consolidated Statement of Loss and Comprehensive Loss	Three months ended September 30, 2020		
	As previously reported	Presentation reclassifications	As reclassified
Cost of sales	311,973	(311,973)	—
Procurement expense	—	213,513	213,513
Fulfillment expense	—	98,460	98,460
Selling, general and administrative	207,637	(207,637)	—
Depreciation	9,089	(9,089)	—
General and administrative expense	—	163,390	163,390
Sales and marketing expense	—	53,336	53,336
Finance expense	(92,575)	—	(92,575)
Foreign exchange	45,386	—	45,386

The following table outlines a summary of the reclassifications and impacts for the nine months ended September 30, 2020:

Condensed Interim Combined Consolidated Statement of Loss and Comprehensive Loss	Nine months ended September 30, 2020		
	As previously reported	Presentation reclassifications	As reclassified
Cost of sales	878,602	(878,602)	—
Procurement expense	—	680,977	680,977
Fulfillment expense	—	197,625	197,625
Selling, general and administrative	633,915	(633,915)	—
Depreciation	18,654	(18,654)	—
General and administrative expense	—	533,514	533,514
Sales and marketing expense	—	119,055	119,055
Finance expense	(232,855)	—	(232,855)
Foreign exchange	92,223	—	92,223

Expenses are classified by function on the condensed interim combined consolidated statements of loss and comprehensive loss. Below is a breakdown of what is included within cost of sales and selling, general and administrative expenses:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Procurement expense				
Cost of inventory	373,563	86,782	961,618	290,293
Labour	357,643	48,543	852,791	160,763
Depreciation	117,625	78,188	269,484	229,921
Total	\$ 848,831	\$ 213,513	\$ 2,083,893	\$ 680,977

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Fulfillment expense				
Delivery and processing fees	261,249	48,521	786,518	147,686
Packaging supplies	238,529	49,939	588,061	49,939
Total	\$ 499,778	\$ 98,460	\$ 1,374,579	\$ 197,625

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	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
General and administrative expense				
Employee Compensation	1,282,488	66,936	2,467,687	258,556
Occupancy Costs	110,773	27,380	261,665	80,467
Office & Administrative	127,758	22,847	169,693	64,194
Restaurant supplies	47,090	15,770	113,941	79,454
Technology Fees	45,295	—	107,616	—
Experience	43,212	—	77,140	—
Consulting	246,613	8,768	805,065	8,768
Professional fees	211,719	12,600	1,093,104	23,421
Board fees	82,500	—	185,000	—
Depreciation	84,076	9,089	126,285	18,654
Travel	4,215	—	7,401	—
Total	\$ 2,285,739	\$ 163,390	\$ 5,414,597	\$ 533,514

19. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2020, the Canadian federal government made certain government support programs available to eligible entities as part of its COVID-19 economic response plan. The Company applied and received support under the Canada Emergency Wage Subsidy (“CEWS”), Canada Emergency Commercial Rent Assistance (“CECRA”) and Canada Emergency Business Account (“CEBA”) programs. Each applicant’s eligibility for these programs is subject to validation and detailed verification by the federal government. Due to nature of the eligibility requirements and related calculations, it is possible that the eligibility requirements may not be considered to be met upon validation, and as such the benefits received may be repayable. During the year ended December 31, 2020, the Company received the following benefits from government programs, either directly in the case of CEWS and CEBA, or indirectly through a third party in the case of CECRA:

- \$150,573 of wage subsidies in connection with the CEWS program;
- \$90,773 of lease concession in connection with the CECRA program; and
- \$60,000 of loan proceeds in connection with the CEBA program.

During the three and nine months ended September 30, 2021, the Company received \$nil benefits from government programs.

20. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company’s executive management team and the Board of Directors. The following table presents the compensation of the key management personnel recognized in net loss:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Salaries and director remuneration	\$ 277,560	\$ 35,000	\$ 824,087	\$ 105,000
Stock-based compensation expense - directors and officers	176,368	—	373,242	—
Total	\$ 453,928	\$ 35,000	\$ 1,197,329	\$ 105,000

As at September 30, 2021, included in accounts payable was \$8,287 (Dec 31, 2020 – \$7,424) and included in accrued liabilities was \$55,000 (Dec 31, 2020 - \$nil) of payments owed to key management personnel. For the three and nine months ended September 30, 2021, the CEO received compensation of \$6,000 and \$18,000, respectively (2020 - \$6,000 and \$18,000,

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respectively) for rent in connection with the use of personal home office. This amount is included in general and administration in the condensed interim combined consolidated statements of loss and comprehensive loss.

For discussion of related party loans, see note 10 above.

21. SUBSEQUENT EVENTS

Grant of stock options

After September 30, 2021, the Company issued a total of 25,000 stock options, with an exercise price of \$1.73 to an employee and expiring ten (10) years following the date of issuance.

Base Shelf Prospectus

On November 3, 2021, the has filed and obtained a receipt for a preliminary short form base shelf prospectus (the "Shelf Prospectus") with the securities commissions in each of the provinces of Canada other than the province of Québec.

Debt Financing

On November 5, 2021, the Company issued secured promissory notes to existing shareholders in the aggregate principal amount of \$2,000,000 (the "Debt Financing"), bearing interest of 12% per annum accrued and payable monthly. The promissory notes are secured by all assets of the Company. The principal and accrued interest of the promissory notes shall be repaid in eighteen (18) equal monthly installments on a calendar quarter basis beginning on November 5, 2023. All interest accruing up to and including November 5, 2023, on the Principal Amount shall be payable on such date.

The Company will pay to the Lenders 1.2% of the principal amount of the Loans per annum as a monitoring fee. The Company also intends to issue to the Lenders, subject to approval of the TSX Venture Exchange (the "TSXV"), as loan bonuses, such number of common share purchase warrants of the Company (each, a "Bonus Warrant") as is equal to the lesser of (i) such Lender's principal under the Loans divided by the \$1.075; and (ii) the maximum number of Bonus Warrants permitted by the TSXV, with each Bonus Warrant expected to entitle the applicable Lender to acquire one Class A common share ("Common Share") during the forty-two month term of the applicable Loan at an exercise price equal to the greater of (i) \$1.08 per common share; or (ii) the lowest price permitted by the TSXV. If any Loan is repaid prior to the one-year anniversary date of such Loan, it is expected that a pro rata number of Bonus Warrants issued in respect of such Loan shall have their term reduced to the later of one year from the issuance thereof and 30 days from said repayment.

The Company will be entitled to prepay the Loans, in whole or in part, at any time prior to the maturity date, without any notice being given to the Lender and without any bonus or penalty being paid to the Lender.