

GENERAL ASSEMBLY HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(expressed in Canadian Dollars)

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GENERAL ASSEMBLY HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars - unaudited)

	Note	As at September 30, 2022	As at December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,340,127	\$ 1,259,395
Amounts receivable	5	343,584	789,240
Inventory	6	361,566	389,434
Prepaid expenses and deposits	7	# 182,968	151,563
Due from related parties	21	—	54,561
Total current assets		2,228,245	2,644,193
Non-current assets			
Prepaid expenses and deposits	7	517,199	293,933
Right-of-use assets	8	1,962,206	4,708,415
Property and equipment	9	2,065,364	3,917,870
Total non-current assets		4,544,769	8,920,218
Total assets		\$ 6,773,014	\$ 11,564,411
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 3,485,898	\$ 2,580,242
Unearned revenue		40,071	55,796
Current portion of lease liability	11	533,803	528,639
Current portion of loans	12	4,222,681	32,019
Derivative warrant liability	14	1,756	1,155,260
Current portion of promissory note	13	421,385	—
Total current liabilities		8,705,594	4,351,956
Long-term liabilities			
Lease liability	11	1,891,320	4,441,031
Loans	12	1,412,611	2,668,541
Promissory note	13	1,387,971	—
Total long-term liabilities		4,691,902	7,109,572
Total liabilities		13,397,497	11,461,528
Shareholders' equity (deficiency)			
Share capital	15	9,637,499	9,449,999
Warrants	16	3,576,662	3,386,358
Contributed surplus	16	1,270,863	1,075,300
Deficit		(21,109,507)	(13,808,774)
Total shareholders' equity (deficiency)		(6,624,483)	102,883
Total liabilities and shareholders' equity (deficiency)		\$ 6,773,014	\$ 11,564,411

Nature of operations and going concern (note 1)

Subsequent events (note 23)

Approved on behalf of the Board:

/s/ Ted Hastings

Ted Hastings, Director and
Chairman of the Board

/s/ Eric Balshin

Eric Balshin,
CEO

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

GENERAL ASSEMBLY HOLDINGS LIMITED

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2022 and 2021

(expressed in Canadian dollars - unaudited)

	Note	Three months Ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	18	\$ 979,157	\$ 1,291,960	\$ 3,088,109	\$ 3,638,169
Expenses					
Procurement expense	19	648,487	848,831	2,233,016	2,083,893
Fulfillment expense	19	343,348	499,778	1,101,248	1,374,579
General and administrative expense	19	1,901,351	2,285,739	5,851,693	5,414,597
Sales and marketing expense	19	52,908	475,524	472,694	1,545,415
Total Expenses		2,946,094	4,109,872	9,658,651	10,418,484
Operating Loss		(1,966,937)	(2,817,912)	(6,570,542)	(6,780,315)
Other (income) expense:					
Finance expense	11,12	315,903	69,004	812,998	130,578
Foreign exchange		1,026	3,349	4,827	7,014
Gain on termination of leases	8	(139,702)	—	(125,553)	—
Loss on asset write down		1,160,378	—	1,160,378	—
Loss on sale of assets		31,046	—	31,046	—
Remeasurement of derivative warrant liability	14	(138,945)	1,519,894	(1,153,505)	2,450,250
Total other (income) expense		1,229,706	1,592,247	730,191	2,587,842
Income (loss) before income taxes		(3,196,643)	(4,410,159)	(7,300,733)	(9,368,157)
Provision (benefit) for income taxes		—	—	—	—
Net income (loss) and comprehensive income (loss)		\$ (3,196,643)	\$ (4,410,159)	\$ (7,300,733)	\$ (9,368,157)
Loss and comprehensive loss per share - basic and diluted		\$ (0.12)	\$ (0.20)	\$ (0.28)	\$ (0.44)
Weighted average number of shares outstanding - basic and diluted		25,837,874	22,348,744	25,837,874	21,318,716

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
2022 and 2021
(expressed in Canadian dollars - unaudited)

	Share Capital		Warrants	Contributed Surplus	Deficit	Total
	Common shares Number	Common shares Amount				
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	735,081	116,488	—	—	851,569
Issuance of units in February 2021 in connection with the Going Public Financing, net of issuance costs	5,787,583	7,153,670	1,333,643	—	—	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	—	(80,956)	80,956	—	—	—
Issuance of Going Public advisory warrants	—	(51,504)	51,504	—	—	—
Issuance of Broker Warrant units	—	(307,247)	307,247	—	—	—
Promissory Note Warrants to be issued	—	—	—	377,803	—	377,803
Stock based compensation	—	—	—	682,329	—	682,329
Net loss and comprehensive loss	—	—	—	—	(10,598,331)	(10,598,331)
Balance – December 31, 2021	22,348,744	9,449,999	3,386,358	1,075,300	(13,808,774)	102,883
Promissory Note Warrants issued	—	—	377,803	(377,803)	—	—
Warrants exercised	1,750,000	187,500	(187,500)	187,500	—	187,500
Stock based compensation	—	—	—	385,866	—	385,866
Loan bonus shares	1,739,130	—	—	—	—	—
Net loss and comprehensive loss	—	—	—	—	(7,300,733)	(7,300,733)
Balance – September 30, 2022	25,837,874	9,637,499	3,576,661	1,270,863	(21,109,507)	(6,624,484)

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Cash Flows
2022 and 2021
(expressed in Canadian dollars - unaudited)

	Note	Nine Months Ended September 30,	
		2022	2021
Cash flows from operating activities			
Net loss		\$ (7,300,733)	\$ (9,368,157)
Changes in non-cash operating items:			
Stock based compensation	16	385,866	476,350
Depreciation	8,9	1,198,726	395,769
Remeasurement of derivative warrant liability	14	(1,153,504)	2,450,250
Interest expense on loans and lease liability	11,12	790,265	129,778
Gain on termination of lease	8	(125,553)	—
Write off of related party loans		54,561	
Asset writedown & loss on sale		1,191,424	
Changes in non-cash working capital			
Inventory		27,868	(192,661)
Amounts receivable		377,259	(993,837)
Prepaid expenses and deposits		(110,183)	(385,412)
Unearned revenue		(15,725)	23,180
Accounts payable and accrued liabilities		924,319	913,827
Net cash used in operating activities		(3,755,409)	(6,550,913)
Cash flows from financing activities			
Lease payments	11	(682,771)	(439,532)
Net proceeds from Series A financing, net of issuance costs	15		968,056
Net proceeds from Going Public financing, net of issuance costs	15		8,989,738
Warrant exercise	14	187,500	—
Net proceeds from sale and leaseback	12	560,215	—
Proceeds from debt financing	12	3,750,000	—
Repayment of loans	12	(111,220)	(87,500)
Net cash provided by (used in) financing activities		3,703,723	9,430,762
Cash flows from investing activities			
Acquisition of property and equipment	8	(44,334)	(1,460,999)
Sale of Assets		176,752	—
Net cash used in investing activities		132,418	(1,460,999)
Change in cash and cash equivalents during the period		80,732	1,418,850
Cash and cash equivalents – beginning of period		1,259,395	878,505
Cash and cash equivalents – end of period		\$ 1,340,127	\$ 2,297,355
Supplemental disclosure of non-cash transactions			
Additions to right-of-use assets under leases	6	808,817	3,973,652
Shares issued to settle share issuance liability		—	765,409

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(expressed in Canadian dollars - unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

General Assembly Holdings Limited (formerly Lalani Thompson Holdings Inc.) was incorporated on June 30, 2017, in the Province of Ontario. The Company has two operating subsidiaries, 2499754 Ontario Limited and GA CPG Limited. 2499754 Ontario Limited, operating as General Assembly, operates the "General Assembly Pizza Subscription Service" and the Company's restaurant located at 331 Adelaide Street West, Toronto, Ontario, and GA CPG Limited operates the Company's wholesale of frozen pizza through grocery and other retail stores. GA Subscriptions Limited is a non-operating subsidiary of the Company.

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.

During the nine-month period ended September 30, 2022, the Company incurred a net loss of \$7,300,733 (September 30, 2021: \$9,368,158) and negative operating cash flows of \$3,755,409 (September 30, 2021: \$6,550,913). As of September 30, 2022, the Company had accumulated a deficit of \$21,109,507 (December 31, 2021: \$13,808,774).

These condensed interim 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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of consolidated 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 is being mitigated by the Company focusing on its CPG and DTC business. Demand for frozen food has increased during the COVID-19 pandemic as consumers seek out shelf-stable options that provide convenience and peace of mind. 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 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 consolidated financial statements do not include all 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, 2021 and 2020.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 29, 2022.

Basis of presentation

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

Functional and presentation currency

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(expressed in Canadian dollars - unaudited)

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

Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries: 1) GA Subscriptions Limited (incorporated in the Province of Ontario on October 16, 2020), 2) GA CPG Limited (incorporated in the Province of Ontario on October 16, 2020), and 3) 249. All inter-company transactions are eliminated on consolidation.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company’s condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The judgements, estimates and assumptions applied in the condensed interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company’s combined consolidated financial statements for the years ended December 31, 2021, and 2020, with the exception of those seen below:

Determination of the fair value of the promissory note

The Company remeasures the fair value of its promissory note at each reporting period, determined using the Monte Carlo Simulation method (note 13). Estimating the fair value of the promissory note requires assumptions to be made for the inputs to the Monte Carlo Simulation, which include the Company’s future pizza sales, revenue volatility, fair market interest rate and risk-free interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES

In addition to the significant accounting policies noted below, these condensed interim consolidated financial statements and the accompanying notes were prepared using the accounting policies described in note 3 of the Company’s combined consolidated financial statements for the year ended December 31, 2021 and 2020.

Sale and Leaseback Arrangements

At inception of a contract involving the transfer of an asset to another entity and subsequent leasing that asset back from that entity, the Company assesses whether the transfer of an asset is a sale in accordance with IFRS 15. When assessing whether a contract is a sale, the Company assesses whether the party to the contract obtains control of that asset.

When the transfer of an asset does not satisfy the requirements of IFRS 15 as a sale of the asset, the Company continues to recognize the transferred asset and recognize a financial liability equal to the transfer proceeds in accordance with IFRS 9.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, “Financial Instruments: Classification and Measurement”. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the condensed interim consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the condensed interim consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

Financial liabilities may also be designated as FVTPL if the instrument contains one or more embedded derivatives, and the host is not an asset with the scope of IFRS 9. The Company’s promissory note (note 13) is designated as FVTPL with subsequent changes in fair value attributable to changes in the credit risk of the promissory note recognized in other comprehensive income and the remaining amount of the change in the fair value presented in profit or loss in the condensed interim consolidated statements of loss and comprehensive loss.

Derivatives are included in the category of FVTPL unless they are designated as hedges. The Company’s derivative warrant liability (note 14) is recorded at FVTPL with subsequent changes in fair value recorded in the condensed interim consolidated statements of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the condensed interim consolidated statements of loss and comprehensive loss.

Compound Financial Instruments

The Company recognizes and classifies separately the component parts of a financial instrument as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement. Where both liability and equity components exist, the initial carrying amount of the financial instrument shall be allocated to its liability and equity components. The equity component shall be assigned the residual value after deducting from the fair value of the instrument as a whole, the fair value of the liability component. The fair value of a financial liability subsequently measured at amortized cost is determined by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach its face value at maturity which is included in the condensed interim consolidated statements of loss and comprehensive loss as part of finance expense. The equity component is not remeasured subsequent to initial recognition. The transaction costs are distributed between components on a pro rata basis according to their carrying amounts.

The Company has classified its financial instruments as follows:

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
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(expressed in Canadian dollars - unaudited)

Financial instrument	Classification/ Measurement	Fair value hierarchy
Assets		
Cash and cash equivalents	Amortized cost	N/A
Amounts receivable	Amortized cost	N/A
Due from related parties	Amortized cost	N/A
Liabilities		
Accounts payable and accrued liabilities	Amortized cost	N/A
Derivative warrant liability	FVTPL	Level 2
Loans	Amortized cost	N/A
Promissory note	FVTPL	Level 3

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the condensed interim consolidated statements of loss and comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of loss and comprehensive loss.

5. AMOUNTS RECEIVABLE

	<u>As at September 30,</u> 2022	<u>As at December 31,</u> 2021
Trade receivables	\$ 281,658	\$ 107,274
Sales tax receivable	61,926	681,966
Promissory note receivable (note 13)	—	—
Amounts receivable	\$ 343,584	\$ 789,240

Trade receivables are comprised of 1) trade receivables from third party sales platforms for restaurant sales, 2) trade receivables from 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 Canada Revenue Agency. The Company has assessed the expected credit loss to be nominal for the nine-month periods ended September 30, 2022 and 2021.

6. INVENTORY

	<u>As at September 30,</u> 2022	<u>As at December 31,</u> 2021
Food and beverages	\$ 64,567	\$ 71,804
Packaging	69,294	148,953
Finished goods	227,705	168,677
Inventory	\$ 361,566	\$ 389,434

The cost of inventory recognized as an expense within procurement expense during the three and nine months ended September 30, 2022 was \$283,049 and \$825,297 (September 30, 2021 –\$370,462 and \$922,586) respectively.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
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7. PREPAID EXPENSES AND DEPOSITS

	As at September 30, 2022	As at December 31, 2021
Prepaid expenses	\$ 120,230	\$ 157,083
Vendor deposits	579,937	288,413
Prepaid expenses and deposits	\$ 700,167	\$ 445,496
Current	182,968	151,563
Long-term	517,199	293,933

The long-term portion of prepaid expenses and deposits consists of \$233,933 of deposits to cover the security deposits for the Company's leases, \$45,018 of deposits related to ongoing operating costs, and \$240,813 related to the purchase of equipment.

8. RIGHT-OF-USE ASSET

	Facilities	Equipment	Vehicles	Total
Balance as at December 31, 2020	\$ 1,019,564	\$ 108,941	\$ 128,364	\$ 1,256,869
Lease additions	3,724,521	—	176,535	3,901,056
Depreciation	(356,736)	(45,949)	(46,825)	(449,510)
Balance as at December 31, 2021	\$ 4,387,349	\$ 62,992	\$ 258,074	\$ 4,708,415
Lease additions	808,817	—	—	808,817
Lease termination	(2,799,242)	—	(91,245)	(2,890,487)
Depreciation	(492,972)	(140,230)	(31,337)	(664,539)
Balance as at September 30, 2022	\$ 1,903,952	\$ (77,238)	\$ 135,492	\$ 1,962,206

The Company recorded depreciation for the facilities and restaurant equipment leases as an expense within procurement expense and general and administrative expense during the three months ended September 30, 2022, which amounted to \$87,176 and to \$121,878 (September 30, 2021 – \$64,511 and \$60,580) respectively. During the nine months ended September 30, 2022 the Company recorded depreciation for the facilities and restaurant equipment leases as an expense within procurement expense and general and administrative expense which amounted to \$296,252 and \$368,287 (September 30, 2021 – \$163,953 and \$91,324) respectively.

During the nine months ended September 30, 2022, the Company terminated two vehicle leases. On termination, right-of-use assets with a carrying value of \$85,723 and lease liabilities amounting to \$71,574 were derecognized, resulting in a loss on termination of leases recognized in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2022 totaling \$14,149.

In addition, the Company terminated the existing manufacturing facility lease ("Marycroft"). On termination, right-of-use assets with a carrying value of \$2,799,242 and lease liabilities amounting to \$2,938,944 were derecognized, resulting in a gain on termination of leases recognized in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2022 totaling \$139,702.

The Company also entered into a new manufacturing facility lease with a Good Manufacturing Practices ("GMP") audit ready facility ("Pacific Circle"). A right-of-use asset and liability in the amount of \$808,817 was recognized on initial setup.

GENERAL ASSEMBLY HOLDINGS LIMITED
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9. PROPERTY AND EQUIPMENT

COST	Leasehold improvements	Furniture and Fixtures	Equipment	Total
Balance as at December 31, 2020	\$ 910,541	\$ 67,599	\$ 64,185	\$ 1,042,325
Additions	1,295,801	484,995	1,713,698	3,494,494
Balance as at December 31, 2021	2,206,342	552,594	1,777,883	4,536,819
Additions	(833,871)	(6,985)	(666,823)	(1,507,679)
Balance as at September 30, 2022	\$ 1,372,471	\$ 545,609	\$ 1,111,060	\$ 3,029,140
ACCUMULATED DEPRECIATION				
Balance as at December 31, 2020	\$ 283,749	\$ 41,686	\$ 10,479	\$ 335,914
Depreciation	130,346	53,991	98,698	283,035
Balance as at December 31, 2021	414,095	95,677	109,177	618,949
Depreciation	97,520	81,793	165,514	344,827
Balance as at September 30, 2022	\$ 511,615	\$ 177,470	\$ 274,691	\$ 963,776
At December 31, 2021	\$ 1,792,247	\$ 456,917	\$ 1,668,706	\$ 3,917,870
At September 30, 2022	\$ 860,856	\$ 368,139	\$ 836,369	\$ 2,065,364

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 month ended September 30, 2022, which amounted to \$71,200 and \$363,733 (September 30, 2021 – \$53,114 and \$105,531) 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 month ended September 30, 2022, which amounted to \$52,250 and \$170,454 (September 30, 2021 – \$23,497 and \$34,962) respectively.

During the three months ended September 30, 2022, the Company wrote off leasehold improvements related to the Marycroft manufacturing facility with a net book value of \$1,160,378, resulting in a loss on write down in the same amount.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2022	As at December 31, 2021
Trade accounts payable	\$ 1,965,139	\$ 1,205,538
Capital expenditures payable	110,841	472,503
Accrued liabilities	1,409,918	902,201
Accounts payable and accrued liabilities	\$ 3,485,898	\$ 2,580,242

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.

11. 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 8).

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 4.4% to 12%. Interest on lease liabilities is included in interest expense in the condensed interim consolidated statements of loss and comprehensive loss. The carrying amount of the Company's lease liabilities is summarized in the table below.

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	<u>Facilities</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance as at December 31, 2020	\$ 1,323,327	\$ 61,768	\$ 115,837	\$ 1,500,932
Lease additions	3,724,521	—	176,535	3,901,056
Interest expense	247,685	2,234	7,244	257,163
Lease payments	(557,455)	(54,035)	(77,991)	(689,481)
Balance as at December 31, 2021	\$ 4,738,078	\$ 9,967	\$ 221,625	\$ 4,969,670
Lease additions	808,817	—	—	808,817
Lease termination	(2,938,944)	—	(71,574)	(3,010,518)
Interest expense	332,528	415	6,982	339,925
Lease payments	(636,443)	(9,341)	(36,987)	(682,771)
Balance as at September 30, 2022	\$ 2,304,036	\$ 1,041	\$ 120,046	\$ 2,425,123
Current portion	490,044	5,849	67,910	563,803
Long-term portion	1,813,992	4,808	52,136	1,861,320

During the year ended December 31, 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 asset over a similar term.

During the three months ended September 30, 2022, the Company terminated the Marycroft manufacturing facility lease and entered into a new manufacturing facility lease with Pacific Circle, a GMP audit ready facility. The discount rate applied to the lease was 12%, determined based on the incremental borrowing rate that would be paid on a similar asset over a similar term.

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at September 30, 2022:

	<u>Within one year</u>	<u>Later than one year but not later than 5 years</u>	<u>More than 5 years</u>
Facility	\$ 531,809	\$ 2,327,851	\$ —
Equipment	3,393	—	—
Vehicles	40,984	87,587	—
Total	\$ 576,186	\$ 2,415,438	\$ —
	19%	81%	0%

12. LOANS

	<u>As at September 30, 2022</u>	<u>As at December 31, 2021</u>
Beginning balance	\$ 2,700,560	\$ 119,519
Additions	2,665,768	3,000,000
Interest expense	380,184	46,344
Interest accretion	—	—
Reclassified to accounts payable and accrued liabilities	—	—
Repayments of principal and interest	(111,220)	(87,500)
Reclassified to share issuance liability	—	—
Reclassified to warrant issuance liability	—	(377,803)
Assignment of debt	—	—
Ending balance	\$ 5,635,292	\$ 2,700,560
Current	4,222,681	32,019
Long term	1,412,611	2,668,541

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

Loan 1

The Company entered into Loan 1 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 1 is to obtain BDC's prior written consent to transfer shares or change the effective voting control of the Company. At the Company's election, the loan principal of \$85,000 plus accrued interest and pre-payment indemnity of \$2,500, was repaid in full on February 2, 2021. Neither the Company, nor the directors in respect of the aforementioned guarantees, have any obligations pursuant to this loan. There was no interest recorded or paid during the three-month period ended September 30, 2022 or September 30, 2021.

Loan 2

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 were recorded in government grants in the condensed interim consolidated statements of loss and comprehensive loss. During the three and nine months ended September 30, 2022 and September 30, 2021, \$nil 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 September 30, 2022, and December 31, 2021	\$	32,019

Loan 3 (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 "Initial 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 nineteen (19) equal monthly installments beginning on November 5, 2023.

The Company will pay to the lenders 1.2% of the principal amount of the loans per annum as a monitoring fee capitalized against the carrying value of the loan at the present value of future payments and amortized over the term. The Company also issued to the lenders, as loan bonuses, an aggregate of 1,851,849 common share purchase warrants (collectively, "Initial Promissory Note Warrants") entitling the applicable lender to acquire one common share during the forty-two month period following issuance of the promissory note (the "Initial Exercise Period") at an exercise price of \$1.35. If any of the promissory notes are repaid prior to the one-year anniversary date, a *pro rata* number of Initial Promissory Note Warrants issued shall have their term reduced to the later of one year from the issuance thereof and 30 days from said repayment.

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The Company will be entitled to prepay the promissory note, 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.

The Company initially recognized \$1,748,131 as the fair value of Loan 3, and \$251,869 was initially recognized in contributed surplus with respect to the value of the Initial Promissory Note Warrants. For the three and nine months ended September 30, 2022, the Company recorded \$66,000 and \$162,000 (September 30, 2021 - \$nil) of interest and accretion expense, and \$nil (September 30, 2021 - \$nil) was paid.

On August 26, 2022, in connection with Loan 6, the maturity date associated with \$1,000,000 of the Initial Debt Financing was amended to August 26, 2023. All principal and interest accrued through to August 26, 2023 will be due and payable at such time. In addition, 925,925 of the Initial Promissory Note Warrants were cancelled and reissued with an exercise price of \$0.23 and expiry date of August 26, 2023.

Loan 4 (Debt Financing)

On December 30, 2021, the Company issued a secured promissory note to an existing shareholder in the aggregate principal amount of \$1,000,000 (the "Subsequent Debt Financing"), bearing interest of 12% per annum accrued and payable monthly. The promissory note is secured by all assets of the Company. The principal and accrued interest of the promissory notes shall be repaid in nineteen (19) equal monthly installments beginning on December 30, 2023.

The Company will pay to the lender 1.2% of the principal amount of the loan per annum as a monitoring fee capitalized against the carrying value of the loan at the present value of future payments and amortized over the term. The Company also issued to the lender, as a loan bonus, an aggregate of 1,652,228 common share purchase warrants (collectively, "Subsequent Promissory Note Warrants"), and together with the Initial Promissory Note Warrants, the "Promissory Note Warrants" entitling the lender to acquire one common share during the forty-two month period following issuance of the promissory note (the "Subsequent Exercise Period") at an exercise price of \$0.76. If any of the promissory note is repaid prior to the one-year anniversary date, a pro rata number of Subsequent Promissory Note Warrants issued 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 loan, 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.

The Company initially recognized \$874,066 as the fair value of Loan 4, and \$125,934 was initially recognized in contributed surplus with respect to the value of the Subsequent Promissory Note Warrants to be issued. For the three and nine months ended September 30, 2022, the Company recorded \$33,000 and \$96,000 (September 30, 2021 - \$nil) of interest and accretion expense, and \$nil (September 30, 2021 - \$nil) was paid.

On August 26, 2022, in connection with Loan 6, the maturity date associated with the Subsequent Debt Financing was amended to August 26, 2023. All principal and interest accrued through August 26, 2023 will be due and payable at such time. In addition, the 1,652,228 Subsequent Promissory Notes were cancelled and reissued with an exercise price of \$0.23 and expiry date of August 26, 2023.

Loan 5 (Sale and Leasebacks)

On January 21, 2022, the Company entered into two sale and leaseback arrangements in respect of certain equipment with an original cost of \$766,944 previously purchased by the Company, of which \$654,967 was paid by the Company prior to the date of the sale and leaseback arrangements. The Company received a refund from the original vendors in respect of the leased equipment, of \$560,215, after deduction for the initial payments and deposit under the lease agreements totaling \$111,977. The term of the lease agreements are 48 months and 60 months, respectively, with aggregate payments over the course of the terms of \$918,803. The Company has the option to purchase the applicable leased equipment for nominal consideration at the end of the applicable term. For the three and nine months ended September 30, 2022, the Company recorded \$15,003.29 and \$36,251.63 (September 30, 2021 - \$nil) of interest expense and made payments of \$47,666 and \$111,220 (September 30, 2021 - \$nil).

Loan 6

On August 26, 2022, the Company issued promissory notes to existing shareholders in the aggregate principal amount of \$2,000,000, bearing interest of 18% per annum accrued and payable in full on the one-year anniversary of issuance. The loans are secured by a fixed and floating charge on the Company's assets, pursuant to the terms of a general security agreement. Note that this security granted against the Company's assets ranks ahead of such security granted to debt holders of the Initial Debt Financing and Subsequent Debt Financing.

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In addition, the Company also issued to the Lenders on September 27, 2022, as loan bonuses, 1,739,130 common shares of the Company ("Bonus Shares") at a deemed price of \$0.23 per Bonus Share.

For the three and nine months ended September 30, 2022, the Company recorded \$50,356 (September 30, 2021 - \$nil) of interest expense and made payments of \$nil (September 30, 2021 - \$nil).

13. PROMISSORY NOTE

On March 17, 2022, the Company closed \$1,750,000 (the "Principal") in debt financing pursuant to the terms and conditions of a promissory note (the "2022 Promissory Note").

Under the terms of the 2022 Promissory Note, the Company shall make repayment of the Principal in 16 quarterly installments (each, a "Repayment Amount") commencing on September 6, 2022 and each three month period thereafter (each, a "Repayment Date"), with the final payment date being June 6, 2026 (the "Final Repayment Date"). Each Repayment Amount will be calculated based on \$0.40 for every pizza unit sold by the Company during the fiscal quarter preceding the Repayment Date.

If the Principal has been repaid in full prior to the Final Repayment Date, the Company will, as additional consideration, continue to make payments to the lender of each Repayment Amount (the "Loan Fee") until the Final Repayment Date. If the full Principal, plus additional consideration in the amount of \$1,800,000 has not been paid (collectively, the "Base Loan Obligations") by the Company to the lender on or prior to the Final Repayment Date, the Company will make payment to the lender of an amount equal to Base Loan Obligations, less the aggregate Repayment Amounts already paid to the lender up to and including the Final Repayment Date. The Company may prepay the full Principal at any time prior to the Final Repayment Date, provided that in connection with such prepayment the Company will also pay to the lender an additional payment of \$2,000,000 as a prepayment penalty. There is no additional interest rate payable in addition to the Loan Fee, nor is there a minimum payment required on any Repayment Date, other than the shortfall, if any, owing in respect of the Base Loan Obligations, payable on the Final Repayment Date.

On the date of initial recognition, the fair value of the promissory note was deemed to be equal to its transaction price totaling \$1,750,000. As at September 30, 2022, the promissory note was revalued at \$1,750,000, determined using the Monte Carlo Simulation method. In connection with the fair value of the 2022 Promissory Note, a loss on change in fair value of promissory note totaling \$nil (September 30, 2021 - \$nil) was recorded in the condensed interim consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2022.

14. 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 condensed interim 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, 2021	4,526,118	693,491
Fair value change on derivative warrant liability	—	461,769
Balance December 31, 2021	4,526,118	\$ 1,155,260
Fair value change on derivative warrant liability	(1,000,000)	(1,153,505)
Balance September 30, 2022	3,526,118	\$ 1,756

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").

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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 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, 2022	December 31, 2021
Expected volatility	100%	100%
Expected life	0.13	0.9 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	2.17%	0.91%
Dividend yield	0%	0%
Share Price	\$ 0.65	\$ 0.60
Weighted average fair value per Series 2 Warrant	\$ 0.20	\$ 0.20

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.

On June 3, 2022, 400,000 of Series 3 warrants were exercised at an exercise price equal to \$0.15 for total proceeds of \$60,000 and on September 23, 2022, the remaining 600,000 Series 3 warrants were exercised at an exercise price equal to \$0.15 for total proceeds of \$90,000.

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 brokered private placement was priced at \$1.73 per unit and closed on February 2, 2021. 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 15) 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.

15. 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

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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, 2022, the Company had the following transaction impacting share capital:

Warrant Exercise

On June 3, 2022, 400,000 Series 3 warrants were exercised for a total of 400,000 common shares and 750,000 warrants were exercised for a total of 750,000 common shares. In addition, on September 23, 2022, an additional 600,000 Series 3 warrants were exercised for a total of 600,000 common shares. See note 14.

Loan Bonus Shares

On August 26, the Company issued promissory notes to existing shareholders in the amount of \$2,000,000. In addition, on September 27, 2022, the Company issued to the Lenders, 1,739,130 common shares as loan bonuses at a deemed price of \$0.23 per Bonus Share. See note 12.

During the year ended December 31, 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 5,020,999 units (the "Series A Units") at a price of \$0.48 per Series A Unit for total gross proceeds of \$2,410,080. Each Series A Unit is comprised of one Class A common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A common share at any time following the issuance date up to June 3, 2023, at an exercise price of \$0.72 per Class A common share.

During the year ended December 31, 2021, the Company closed 1,998,891 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 \$76,757 was paid in the year ended December 31, 2021, (B) paid a corporate finance fee of \$120,504 by way of issuance of 251,048 additional Series A Units, and (C) issued 401,678 advisory warrant units ("Advisory Warrant Units").

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 Class A common shares and warrants to acquire 200,839 Class A common shares exercisable at any time for a period of two (2) years from the Liquidity Event, at an exercise price of \$0.72 per Class A common share.

In addition, as advisory compensation in connection with the transaction, the Company paid a finder's fee of \$36,151 by way of issuance of 100,419 Class A 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 Class A Common Shares at an exercise price of \$0.20 per Class A common share.

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

On the date of closing, net proceeds of \$851,569 were allocated to the Class A common shares and warrants comprised in the Series A Unit applying the relative fair value approach. As a result, \$735,081 was allocated to share capital and \$116,488 was allocated to warrant reserve.

Going Public Financing

On February 2, 2021, the Company completed a brokered private placement resulting in the issuance of an aggregate of 5,511,985 units (the "February Going Public Units") at a price of \$1.73 per unit for total gross proceeds of \$9,535,734. Each February Going Public Unit is comprised of one Class A common share and one-half of one Class A common share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A 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 Class A common share.

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As part of the transaction, the Company paid to advisors a cash commission of \$762,859 and issued an additional 275,598 February Going Public Units. 437,229 February Going Public Units were also issued in connection with the settlement of certain shareholder debt assigned to the Company, which was assigned a value of \$756,409.

In addition, the Company issued 63,306 advisory units (“Advisory Warrant Units”) and 377,652 broker warrant units (“Broker Warrant Units”) which will entitle the holder to acquire one February Going Public Units 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 Class A common shares and 220,479 warrants which represent an option to acquire 220,479 additional Class A common shares at \$2.60 per Class A 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 Class A common shares in connection with the transaction. Total legal and transaction fees in connection with the brokered private placement was \$285,562.

On the date of closing of the February 2, 2021 brokered and non-brokered financing, net proceeds of \$8,473,313 were allocated to the Class A common shares and warrants comprised in the February Going Public Units applying the relative fair value approach. As a result, \$7,153,670 was allocated to share capital and \$1,333,643 was allocated to warrant reserve. Additionally, the fair value of the February Going Public Units issued on settlement of shareholders debt totaling \$756,409 was allocated \$635,303 to share capital and \$121,106 to warrant reserve on the date of issuance.

Between April 14 and April 19, 2021, the Company completed a non-brokered private placement (“April Financing”) resulting in the issuance of an aggregate of 290,481 units (the “April Going Public Units”), at a price of \$1.73 per unit for total gross proceeds of \$502,425. Each April Going Public Unit is comprised of one Class A common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional Class A 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 Class A common share.

16. RESERVES

Warrants

A summary of warrant transactions are as follows:

	Number of warrants	Weighted average exercise price \$	Warrants	Contributed surplus
Beginning balance at January 1, 2022	14,712,415	\$ 0.98	\$ 3,386,358	\$ 1,075,300
Promissory Note Warrants issued	3,504,077	1.07	377,803	(377,803)
Warrants exercised	(1,750,000)	0.11	(187,500)	187,500
Stock-based compensation	—	—	—	385,866
Balance at September 30, 2022	16,466,492	\$ 1.09	\$ 3,576,661	\$ 1,270,863

The following provides a summary of warrants outstanding as at September 30, 2022:

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Expiry date	Number of warrants outstanding and exercisable	Exercise price \$	Weighted average remaining life (years)
November 17, 2022	3,526,118	0.67	0.38
June 3, 2023	2,636,016	0.72	0.93
June 3, 2031	2,700,000	0.20	8.93
June 3, 2023	401,678	0.48	0.93
June 3, 2023	440,958	1.73	0.93
June 3, 2023	3,112,404	2.60	0.93
June 3, 2023	145,241	2.60	0.93
May 5, 2025	925,924	1.35	2.85
June 30, 2025	2,578,153	0.76	3.00
	16,466,492	\$ 1.09	2.55

Between April 14 and April 19, 2021, the Company issued 145,241 warrants in connection with the April Financing (note 15). 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

On February 2, 2021, the Company issued 2,893,789 warrants in connection with the Going Public Financing (note 15) and issued an additional 218,615 warrants in connection with the conversion of the share issuance liability (note 14) 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 \$1,333,643 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	\$ 0.55

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 15). Each Advisory Warrant Unit and Broker Warrant Unit entitles the holder to purchase one Class A common share for a period of two (2) years from the Liquidity Event, at an exercise price of \$1.73 per Class A common share for a total 440,958 Class A common shares, and 220,479 warrant to acquire 220,479 Class A common shares exercisable at any time for a period of two (2) years from the Liquidity Event, at an exercise price of \$2.60 per Class A common share (note 15). The fair value of warrants issued was determined to be \$61,314 and \$365,770 respectively, estimated using the Black-Scholes option pricing model with the following assumptions:

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	<u>February 2, 2021</u>
Expected volatility	109%
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	\$ 0.97

The fair value of above Advisory Warrant Units in the amount of \$61,314 were allocated between share capital and warrants proportionately, out of which, \$51,504 related to share capital is recorded as a reduction to share capital and \$9,810 related to warrants is recorded as a reduction to warrants reserve. The fair value of above Broker Warrant Units in the amount of \$365,770 were allocated between share capital and warrants proportionately, out of which, \$307,247 related to share capital is recorded as a reduction to share capital and \$58,523 related to warrants is recorded as a reduction to warrants reserve.

On January 28, 2021, the Company issued 1,124,962 warrants, convertible to one Class A common share per warrant at a price of \$0.72 per warrant in connection with the issuance of Series A Units (note 15). The fair value of warrants issued was determined \$116,488, estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>January 28, 2021</u>
Expected volatility	100%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	0.16%
Dividend yield	0%
Weighted average share price	\$ 0.36
Weighted average fair value of warrants at grant date	\$ 0.10

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 Class A common share for a period of two (2) years from the Liquidity Event, at an exercise price of \$0.48 per Class A common share for a total 401,678 Class A common shares, and 200,839 warrant to acquire 200,839 Class A common shares exercisable at any time for a period of two (2) years from the Liquidity Event, at an exercise price of \$0.72 per common share (note 15). The fair value of warrants issued was determined to be \$107,942 estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>January 28, 2021</u>
Expected volatility	109%
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	\$ 0.27

The fair value of above warrants in the amount of \$107,942 were allocated between share capital and warrants proportionately, out of which, \$80,956 related to share capital is recorded as a reduction to share capital and \$26,986 related to warrants is recorded as a reduction to warrants reserve.

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 Class A common shares at an exercise price of \$0.20 per Class A common share (note 15). 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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	<u>January 13, 2021</u>
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.

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.

The following table summarizes the continuity of the stock options during the nine months ended September 30, 2022:

	<u>Number of options</u>	<u>Weighted average exercise price \$</u>
Balance at January 1, 2021	800,000	\$ 0.67
Granted	1,651,250	0.90
Forfeited and cancelled	(236,000)	0.81
Balance at December 31, 2021	2,215,250	\$ 0.83
Granted	—	
Forfeited and cancelled	(481,688)	1.02
Balance at September 30, 2022	1,733,562	\$ 0.94

The following table provides additional information about the Company's stock options as at September 30, 2022:

<u>Number of Options Outstanding</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>	<u>Number of Options Exercisable</u>
360,000	\$ 0.67	November 17, 2030	191,250
375,000	\$ 0.67	December 7, 2030	199,219
120,000	\$ 0.67	January 4, 2031	52,500
110,000	\$ 0.67	January 31, 2031	48,125
350,000	\$ 0.48	February 25, 2031	153,125
143,750	\$ 0.67	April 1, 2031	82,227
37,312	\$ 1.73	May 25, 2031	12,826
50,000	\$ 1.73	May 28, 2031	—
100,000	\$ 1.73	July 20, 2031	25,000
12,500	\$ 1.73	August 23, 2031	12,500
25,000	\$ 1.73	November 29, 2031	—
50,000	\$ 0.69	December 20, 2031	50,000
1,733,562	\$ 0.77		826,772

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

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	Year ended December 31, 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 1.44%	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	\$ 0.77	\$ 0.31

For the three and nine months ended September 30, 2022 the Company recorded stock-based compensation expense for options of \$123,668 and \$385,866 (September 30, 2021 - \$191,521 and \$236,948) with an offsetting increase to contributed surplus in respect of the vesting and forfeiture of stock options during the three-month period ended September 30, 2022. The weighted average remaining life of the options is 8.00 years (December 31, 2021 – 9.15 years).

Fixed Equity Incentive Plan

The Company has a fixed equity incentive plan (the “FEI Plan”) that was approved on June 2, 2022, under which the Board of Directors may grant to directors, officers, employees, advisors and technical consultants to the Company non-transferable Restricted Stock Units (“RSU’s”), Performance Share Units (“PSU’s”), and Deferred Share Units (“DSU’s”). The FEI Plan provides for a maximum number of units reserved for issuance equal to 2,234,874 units, 10% of the issued and outstanding shares at the time of approval. Under the FEI Plan, units generally vest over a period of one year.

The following table summarizes the continuity of the units under the FEI plan during the nine months ended September 30, 2022:

	Number of units	Vested Units \$
Balance at December 31, 2021	0	\$ 0.00
RSU’s Granted	1,150,000	0
Forfeited and cancelled	(0)	0
Balance at September 30, 2022	1,150,000	\$ 0

For the three and nine months ended September 30, 2022, the Company recorded compensation expense related to the FEI plan of \$0 and \$0 (September 30, 2021 - \$0 and \$0).

17. 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, due from related parties, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company’s derivative warrant liability and promissory note are measured at fair value using Level 2 and Level 3 inputs respectively.

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

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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, 2022		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	3,485,898	—	—
Lease liability	576,186	2,415,438	—
Loan payable	2,286,662	3,504,954	—
Promissory note	134,725	3,415,275	—
Total	\$ 6,483,471	\$ 9,335,667	\$ —

	As at December 31, 2021		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	2,580,242	—	—
Lease liability	1,001,753	4,332,467	1,457,346
Loans payable	60,000	3,000,000	—
Total	\$ 3,641,995	\$ 7,332,467	\$ 1,457,346

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 cash equivalents, due from related parties and amount receivables. Cash and cash equivalents are 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 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 and amounts due from related parties. 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 and amounts due from related parties was insignificant at September 30, 2022 and December 31, 2021.

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.

Foreign currency risk

Foreign currency risk is the risk that the carrying value of financial instruments will be impacted due to fluctuations in exchange rates for which financial instruments are denominated in. Sensitivity to a plus or minus 5% change in foreign exchange rates would affect net loss by \$6,512 at September 30, 2022 (December 31, 2021 - \$10,805).

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.

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18. REVENUE

	Three months ended		Nine months ended	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Restaurant	535,023	150,380	1,269,948	476,787
Direct to consumer	178,515	827,956	964,502	2,443,330
Consumer packaged goods	265,619	313,624	853,659	718,052
Total	\$ 979,157	\$ 1,291,960	\$ 3,088,109	\$ 3,638,169

19. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the condensed interim 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:

Procurement expense	Three months ended		Nine months ended	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Cost of inventory	283,049	373,563	825,297	922,586
Labour	207,062	357,643	747,734	891,823
Depreciation	158,376	117,625	659,985	269,484
Total	\$ 648,487	\$ 848,831	\$ 2,233,016	\$ 2,083,893

Fulfillment expense	Three months ended		Nine months ended	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Delivery and processing fees	133,699	261,249	486,647	786,518
Labour	63,924	42,913	166,353	117,933
Packaging supplies	145,725	238,529	448,248	588,061
Depreciation	-	-	-	-
Total	\$ 343,348	\$ 542,691	\$ 1,101,248	\$ 1,492,512

General and administrative expense	Three months ended		Nine months ended	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Employee Compensation	743,728	1,282,488	3,014,719	2,467,687
Occupancy Costs	162,804	110,773	460,597	261,665
Office & Administrative	74,438	127,758	263,989	169,693
Restaurant supplies	10,844	47,090	49,750	113,941
Technology Fees	38,653	45,295	129,492	107,616
Experience	-	43,212	205	77,140
Consulting	- 20,672	246,613	55,917	805,065
Professional fees	250,691	211,719	716,557	1,093,104
Board fees	55,000	82,500	220,000	185,000
Depreciation	174,128	84,076	538,741	126,286
Travel	298	4,215	2,437	7,401
Donation	-	-	2,000	-
Other	411,439	-	397,290	-
Total	\$ 1,901,351	\$ 2,285,739	\$ 5,851,693	\$ 5,414,598

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20. 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, 2022 and September 30, 2021, the Company received \$nil benefits from government programs.

21. 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	
	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Salaries and director remuneration	\$ 248,382	\$ 277,560	\$ 801,377	\$ 824,087
Stock-based compensation expense - directors and officers	97,950	176,368	359,574	373,242
Total	\$ 346,332	\$ 453,928	\$ 1,160,951	\$ 1,197,329