

GENERAL ASSEMBLY HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(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 March 31, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 176,368	\$ 288,762
Amounts receivable	6	338,730	378,275
Inventory	7	19,498	27,367
Prepaid expenses and deposits	8	20,695	45,804
Due from related parties	22	2,113	1,056
Assets from discontinued operations	5	1,264,603	1,492,868
Total current assets		1,822,007	2,234,132
Non-current assets			
Prepaid expenses and deposits	8	226,320	217,681
Right-of-use assets	9	1,059,464	1,128,055
Property and equipment	10	1,099,896	1,182,894
Total non-current assets		2,385,680	2,528,630
Total assets		\$ 4,207,687	\$ 4,762,762
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 3,175,072	\$ 2,953,062
Unearned revenue		14,511	47,075
Current portion of lease liability	12	255,534	340,266
Current portion of loans	13	2,939,343	2,408,803
Current portion of promissory note	14	336,875	258,125
Liabilities from discontinued operations	5	2,969,757	2,998,017
Total current liabilities		9,691,091	9,005,348
Long-term liabilities			
Lease liability	12	1,172,442	1,148,464
Loans	13	891,950	1,126,568
Promissory note	14	1,750,000	1,750,000
Total long-term liabilities		3,814,392	4,025,032
Total liabilities		13,505,483	13,030,380
Shareholders' equity (deficiency)			
Share capital	16	10,116,087	10,116,087
Warrants	17	3,764,161	3,764,161
Contributed surplus	17	884,449	836,859
Deficit		(24,062,494)	(22,984,725)
Total shareholders' equity (deficiency)		(9,297,796)	(8,267,618)
Total liabilities and shareholders' equity (deficiency)		\$ 4,207,687	\$ 4,762,762

Approved on behalf of the Board:

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

/s/ Eric Balshin
Eric Balshin, Interim
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 months ended March 31, 2023 and 2022
(expressed in Canadian dollars - unaudited)

	Note	Three Months Ended March 31,	
		2023	2022
Revenue	19	\$ 522,694	\$ 285,724
Expenses			
Procurement expense	20	262,524	240,699
Fulfillment expense	20	124,176	81,183
General and administrative expense	20	428,743	1,383,779
Sales and marketing expense		3,614	34,342
Total Expenses		819,057	1,740,003
Operating Loss		(296,363)	(1,454,279)
Other (income) expense:			
Finance expense	12, 13	416,878	242,089
Foreign exchange		474	3,312
Gain on sale of assets		(98,321)	—
Remeasurement of derivative warrant liability	15	—	45,154
Total other (income) expense		319,031	290,555
Income (loss) before income taxes		(615,394)	(1,744,834)
Provision (benefit) for income taxes		—	—
Net loss and comprehensive loss from continuing operations		\$ (615,394)	\$ (1,744,834)
Net loss from discontinued operations, net of tax		(462,375)	(1,153,120)
Net loss and comprehensive loss		\$ (1,077,769)	\$ (2,897,954)
Loss and comprehensive loss per share - basic and diluted		\$ (0.04)	\$ (0.12)
Weighted average number of shares outstanding - basic and diluted		25,837,874	22,348,744

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)
For the three months ended March 31, 2023 and 2022
(expressed in Canadian dollars - unaudited)

	Share Capital					Total
	Common shares Number	Common shares Amount	Warrants	Contributed Surplus	Deficit	
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 & gain on remeasurement	1,750,000	266,088				266,088
Stock based compensation				120,162		120,162
Loan bonus shares	1,739,130	400,000				400,000
Restricted stock units	—	—	—	19,200	—	19,200
Net loss and comprehensive loss	—	—	—	—	(9,175,951)	(9,175,951)
Balance – December 31, 2022	25,837,874	10,116,087	3,764,161	836,859	(22,984,725)	(8,267,618)
Stock based compensation				47,590		47,590
Net loss and comprehensive loss					(1,077,769)	(1,077,769)
Balance – December 31, 2022	25,837,874	10,116,087	3,764,161	884,449	(24,062,494)	(9,297,796)

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
For the three months ended March 31, 2023 and 2022
(expressed in Canadian dollars - unaudited)

	Note	Three Months Ended March 31,	
		2023	2022
Cash flows from operating activities			
Net loss		\$ (615,394)	\$ (1,744,834)
Changes in non-cash operating items:			
Stock based compensation	17	47,590	183,748
Depreciation	8,9	145,431	167,717
Remeasurement of derivative warrant liability	14	—	45,154
Interest expense on loans and lease liability	11,12	414,479	242,075
Changes in non-cash working capital			
Inventory		7,869	4,312
Amounts receivable		39,545	(732,509)
Prepaid expenses and deposits		16,470	(7,272)
Unearned revenue		(32,564)	(40,601)
Due from related parties		(1,057)	—
Accounts payable and accrued liabilities		222,010	235,643
Net cash used in operating activities		244,379	(1,646,567)
Cash flows from financing activities			
Lease payments	11	(20,906)	(35,820)
Net proceeds from sale and leaseback	12		327,615
Proceeds from promissory note	13		1,750,000
Repayment of loans	12	(11,064)	89,664
Net cash provided by financing activities		(31,970)	2,131,459
Cash flows from investing activities			
Acquisition of property and equipment	8	(62,433)	(96,934)
Cash used in discontinued operations		(262,370)	(965,769)
Net cash used in investing activities		(324,803)	(1,062,703)
Change in cash and cash equivalents during the period		(112,394)	(577,811)
Cash and cash equivalents – beginning of period		288,762	1,259,395
Cash and cash equivalents – end of period		\$ 176,368	\$ 681,584
Supplemental disclosure of non-cash transactions			
Additions to right-of-use assets under leases	8	—	3,901,056

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 months ended March 31, 2023 and 2022
(expressed in Canadian dollars - unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

General Assembly Holdings Limited (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 ("DTC") through a subscription offering as well as the sale of consumer packaged goods ("CPG") direct to specialty grocery stores. See Note 5 and 23 for further discussion of operations.

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 three month period ended March 31, 2023, the Company incurred a net loss of \$1,077,769 (March 31, 2022: \$2,897,954) and a working capital deficit of \$7,869,014 (December 31, 2022: \$6,771,216). As of March 31, 2023, the Company had accumulated a deficit of \$24,062,494 (December 31, 2022: \$22,984,725).

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.

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, 2022 and 2021.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 30, 2023.

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

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.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(expressed in Canadian dollars - unaudited)

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, 2022, and 2021.

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, 2022, and 2021.

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.

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.

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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 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:

Financial instrument	Classification/ Measurement	Fair value hierarchy
<i>Assets</i>		
Cash and cash equivalents	Amortized cost	N/A
Amounts receivable	Amortized cost	N/A
Due from related parties	Amortized cost	N/A
<i>Liabilities</i>		
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
Lease liability	Amortized cost	N/A

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

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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. DISCONTINUED OPERATIONS

On April 13, 2023, the Company completed the sale of substantially all of the assets related to the DTC and CPG frozen pizza business (the "Frozen Pizza Business"). As consideration for the assets, Piano Piano Inc. ("Piano Piano"), has assumed senior indebtedness in the aggregate amount of \$2,067,915 owing to certain arm's length creditors of the Company (the "Assumed Debt") and other liabilities of the Company in respect of its manufacturing lease, equipment financing commitments and certain other accounts payable, totaling, together with the Assumed Debt \$2,969,757 (Note 12 & 23). As the debt and liabilities assumed by Piano Piano was higher than the transferred assets of \$1,264,603, there was no impairment recorded at March 31, 2023.

As of March 31, 2023 and March 31, 2022, the major classes of assets and liabilities from discontinued operations included the following:

	March 31, 2023	March 31, 2022
Inventory	\$ 107,670	\$ 423,231
Right-of-use assets	\$ 774,039	\$ 62,016
Capital assets	\$ 382,894	\$ 354,332
Current assets from discontinued operations	\$ 1,264,603	\$ 839,579
Accounts payable	\$ 80,560	\$ -
Lease liability	\$ 798,721	\$ 49,282
Deferred revenue	22,561	11,027
Loans	\$ 2,067,915	\$ 2,164,679
Current liabilities from discontinued operations	\$ 2,969,757	\$ 2,227,279

The operations of the Frozen Pizza Business are presented as discontinued operations in the consolidated statement of loss and comprehensive loss for the current and prior year.

	Three months ended	
	March 31, 2023	March 31, 2022
Revenue	\$527,596	\$811,055
Expenses		
Procurement expense	431,881	548,256
Fulfillment expense	104,509	345,822
General and administrative expense	317,944	753,991
Sales and marketing expense	27,750	299,908
Total Expenses	882,084	1,947,977
Operating Loss	(354,488)	(1,136,922)
Other (income) expense:		
Finance expense	42,865	16,099
Foreign exchange	(151)	99
Loss on asset write down	65,173	—
Total other expense	107,887	16,198
Loss before income taxes	(462,375)	(1,153,120)

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Provision for income taxes	—	—
Net income (loss) and comprehensive income (loss) from discontinued operations	\$(462,375)	\$(1,153,120)

6. AMOUNTS RECEIVABLE

	<u>As at March 31,</u> <u>2023</u>	<u>As at December 31,</u> <u>2022</u>
Trade receivables	\$ 259,349	\$ 308,653
Sales tax receivable	79,381	69,622
Amounts receivable	\$ 338,730	\$ 378,275

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 (CRA). The Company has assessed the expected credit loss to be nominal for the three month periods ended March 31, 2023 and March 31, 2022.

7. INVENTORY

	<u>As at March 31,</u> <u>2023</u>	<u>As at December 31,</u> <u>2022</u>
Food and beverages	\$ 17,857	\$ 26,775
Packaging	1,641	592
Inventory	\$ 19,498	\$ 27,367

The cost of inventory recognized as an expense within procurement expense during the three month period ended March 31, 2023 was \$99,379 (March 31, 2022 –\$77,732).

8. PREPAID EXPENSES AND DEPOSITS

	<u>As at March 31,</u> <u>2023</u>	<u>As at December 31,</u> <u>2022</u>
Prepaid expenses	\$ 40,666	64,255
Vendor deposits	206,349	199,230
Prepaid expenses and deposits	\$ 247,015	\$ 263,485
Current	20,695	45,804
Long-term	226,320	217,681

The long-term portion of prepaid expenses and deposits consists of \$99,835 of deposits to cover the security deposits for the Company's leases, \$30,160 of deposits related to ongoing operating costs, and \$96,325 related to the purchase of equipment.

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9. RIGHT-OF-USE ASSET

	Facilities	Equipment	Vehicles	Total
Balance as at December 31, 2021	\$ 4,387,349	\$ 62,992	\$ 192,336	\$ 4,642,678
Lease terminations	(2,799,242)	—	(89,140)	(2,888,382)
Depreciation	(535,884)	(45,949)	(44,408)	(626,241)
Balance as at December 31, 2022	\$ 1,052,223	\$ 17,043	\$ 58,788	\$ 1,128,055
Depreciation	(56,172)	(8,263)	(4,155)	(68,590)
Balance as at March 31, 2023	\$ 996,051	\$ 8,780	\$ 54,633	\$ 1,059,464

The Company recorded depreciation for restaurant equipment leases as an expense within procurement expense and general and administrative expense during the three month period ended March 31, 2023, which amounted to \$57,597 and to \$17,939 (March 31, 2022 – \$62,740 and \$20,804) respectively.

During the three month period ended March 31, 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 three month period ended March 31, 2022 totaling \$14,149.

10. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and Fixtures	Equipment	Total
COST				
Balance as at December 31, 2021	\$ 2,206,342	\$ 504,996	\$ 1,406,261	\$ 4,117,599
Disposals	(866,021)	(101,589)	(1,134,624)	(2,102,234)
Balance as at December 31, 2022	\$ 1,340,321	\$ 403,407	\$ 271,637	\$ 2,015,365
Balance as at March 31, 2023	\$ 1,340,321	\$ 403,407	\$ 271,637	\$ 2,015,365
ACCUMULATED DEPRECIATION				
Balance as at December 31, 2021	\$ 414,095	\$ 90,930	\$ 76,647	\$ 581,672
Depreciation	140,026	69,935	40,838	250,799
Balance as at December 31, 2022	\$ 554,121	\$ 160,865	\$ 117,485	\$ 832,471
Depreciation	42,087	18,906	22,005	82,998
Balance as at March 31, 2023	\$ 596,208	\$ 179,771	\$ 139,490	\$ 915,469
At December 31, 2022	\$ 786,200	\$ 242,542	\$ 154,152	\$ 1,182,894
At March 31, 2023	\$ 744,113	\$ 224,445	\$ 132,147	\$ 1,099,896

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The Company recorded depreciation for leasehold improvements and equipment of the restaurant as an expense within procurement expense during the three month period ended March 31, 2023, which amounted to \$44,373 (March 31, 2022 – \$46,355). The Company also recorded depreciation related to office space from leasehold improvements and furniture and fixtures as an expense within general and administrative expense during the three month period ended March 31, 2023, which amounted to \$25,522 (March 31, 2022 – \$37,818).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>As at March 31,</u> <u>2022</u>	<u>As at December 31,</u> <u>2022</u>
Trade accounts payable	\$ 1,987,491	\$ 1,844,254
Capital expenditures payable	110,884	110,884
Accrued liabilities	1,076,697	997,964
Accounts payable and accrued liabilities	\$ 3,175,072	\$ 2,953,062

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.

12. 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 9).

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.

	<u>Facilities</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance as at December 31, 2021	\$ 4,737,272	\$ 9,967	\$ 169,578	\$ 4,916,817
Lease terminations	(2,938,138)	—	(89,548)	(3,027,686)
Interest expense	361,139	2,306	5,628	369,073
Lease payments	(728,034)	(10,046)	(31,394)	(769,474)
Balance as at December 31, 2022	\$ 1,432,239	\$ 2,227	\$ 54,264	\$ 1,488,730
Lease termination (note 8)	—	—	—	—
Interest expense	27,720	35	564	128,466
Lease payments	(83,855)	(1,131)	(4,087)	(249,998)
Balance as at March 31, 2023	\$ 1,376,104	\$ 1,131	\$ 50,741	\$ 1,427,976
Current portion	239,921	1,131	14,482	255,534
Long-term portion	1,136,183	—	36,259	1,172,442

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 year ended December 31, 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 March 31, 2023:

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	Within one year	Later than one year but not later than 5 years	More than 5 years
Facility	\$ 339,157	\$ 1,299,858	\$ —
Equipment	1,131	—	—
Vehicles	16,350	38,150	—
Total	\$ 356,638	\$ 1,338,008	\$ —
	21%	79%	

13. LOANS

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

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Discontinued operation	Total
Balance, at December 31, 2021	\$32,019	\$1,794,475	\$874,066	—	—	(1,760,281)	\$940,279
Addition	—	—	—	766,944	2,000,000	(504,854)	2,262,090
Repayment	—	—	—	(270,862)	—	205,337	(65,525)
Reclassified to equity	—	—	—	—	(400,000)	—	(400,000)
Accrued interest	—	240,000	120,000	50,436	140,323	(31,096)	519,663
Accretion expenses	7,981	93,699	43,851	—	133,333	—	278,864
Balance, at December 31, 2022	\$40,000	\$2,128,174	\$1,037,917	\$546,518	\$1,873,656	(2,090,894)	\$3,535,371
Accrued interest	—	60,000	30,000	13,622	90,000	(8,305)	185,317
Accretion expenses	—	17,991	8,995	—	100,000	—	126,986
Repayment	—	—	—	(47,666)	—	31,284	(16,382)
Balance, at March 31, 2023	\$40,000	\$2,206,165	\$1,076,912	\$512,474	\$2,063,656	(2,067,915)	\$3,831,292
Current							2,939,343
Long term							891,950

Loan 1

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 of \$40,000 was initially measured at its fair value of \$30,164 and is subsequently measured at amortized cost, using an effective interest rate of 11%. During the year ended December 31, 2020, the forgivable portion of \$20,000 and the benefit from favorable interest rates of \$9,836 were recorded in government grants in the consolidated statements of loss and comprehensive loss.

In January 2022, the repayment deadline of CEBA was extended to December 31, 2023.

During the year ended December 31, 2022, \$7,981 (2021 - \$nil) of interest accretion related to the CEBA loan was recognized and included in interest expense.

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Proceeds	\$	60,000
Forgivable portion		(20,000)
Benefit from favourable interest rate		(9,836)
Initial carrying amount		30,164
Interest accretion		9,836
Balance as at March 31, 2023, and December 31, 2022	\$	40,000

Loan 2 (Initial Promissory Note)

On November 5, 2021, the Company issued secured promissory notes to existing shareholders in the aggregate principal amount of \$2,000,000, 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.

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 months ended March 31, 2023, the Company recorded \$60,000 (2022 - \$60,000) of interest expense and \$17,991 (2022 - \$15,739) of accretion expense, and \$nil (2022 - \$nil) was paid.

On August 26, 2022, in connection with Loan 6, the maturity date associated with \$1,000,000 of the Loan 3 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.

In April 2023, \$1,200,000 of loan 3 was assumed by Piano Piano and was reclassified to current liabilities from discontinued operation.

Loan 3 (Subsequent Promissory Note)

On December 30, 2021, the Company issued a secured promissory note to an existing shareholder in the aggregate principal amount of \$1,000,000, 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 loan bonuses, 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. For the three months ended March 31, 2023, the Company recorded \$30,000 (2022 - \$30,000) of interest expense and \$8,995 (2021 - \$7,870) of accretion expense, and \$nil (2022 - \$nil) was paid.

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On August 26, 2022, in connection with Loan 6, the maturity date associated with \$1,000,000 of the Loan 4 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, the 1,652,228 of the Subsequent Promissory Note Warrants were cancelled and reissued with an exercise price of \$0.23 and expiry date of August 26, 2023.

In April 2023, \$560,281 of loan 4 was assumed by Piano Piano and was reclassified as current liabilities from discontinued operation.

Loan 4 (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. The Company received a refund from the original vendors in respect of the leased equipment in the amount of \$560,215, after deduction for the initial payments, outstanding payables and deposits under the lease agreements. 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.

The transaction did not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, therefore the Company continued to recognize the equipment, recorded a long term loan of \$766,944, and recognized the loss of \$144,487. For the three months ended March 31, 2023, the Company recorded \$13,622 (2022 - \$nil) of interest expense, and made payments of \$47,666 (2022 - \$117,065).

In April 2023, \$504,854 of loan 5 was assumed by Piano Piano. This portion of loan 5, related payments and interest expenses were reclassified as current liabilities from discontinued operation.

Loan 5

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 Promissory Note and Subsequent Promissory Note.

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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. The Company initially recognized \$1,600,000 as the fair value of loan 6, and \$400,000 was initially recognized in share capital with respect to the value of Bonus Shares (Note 16).

For the three months ended March 31, 2023, the Company recorded \$90,000 (2022 - \$nil) of interest expense and \$100,000 of accretion expense (2022 - \$nil), and \$nil (2022 - \$nil) was paid.

14. 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") with a maturity date of June 1, 2026, bearing interest of 18% per annum, accrue and be payable on a quarterly basis until the Principal Amount has been paid in full. The Company will be entitled to prepay the Principal Amount, in whole, or in part, together with interest calculated to the date of prepayment on the Principal amount being prepaid, at any time prior to the Maturity Date, without any notice being given to the lender without any bonus or penalty being paid to the lender.

For the three months ended March 31, 2023, the Company recorded \$78,750 (2022 - \$nil) of interest expense and made payments of \$nil (2022 - \$nil).

15. 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, 2022	4,526,118	1,155,260
Fair value change on derivative warrant liability	—	(1,060,116)
Warrants exercised	(1,750,000)	(78,588)
Warrants expired	(2,776,118)	(16,556)
Balance December 31, 2022 and March 31, 2023	—	\$ —

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 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:

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	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Expected volatility	100%	100%
Expected life	0.13 years	0.13 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	2.17%	2.17%
Dividend yield	0%	0%
Share Price	\$ 0.65	\$ 0.65
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.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Expected volatility	100%	100%
Expected life	0.13 years	0.13 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	2.17%	2.17%
Dividend yield	0%	0%
Share Price	\$ 0.65	\$ 0.65
Weighted average fair value per Series 3 Warrant	\$ 0.50	\$ 0.5

16. 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 year ended December 31, 2022, the Company had the following transactions 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 Series 2 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 (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

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for amount of \$400,000 (Note 12).

During the year ended December 31, 2021, the Company had the following transactions impacting share capital:

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.

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 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.

Proceeds were allocated to the Class A common shares and warrants applying the relative fair value approach. As a result, \$421,984 was allocated to share capital and \$80,441 was allocated to warrant reserve on closing.

17. RESERVES

Warrants

A summary of warrant transactions are as follows:

	Number of warrants	Weighted average exercise price \$	Warrants	Contributed surplus
Balance at January 1, 2023	13,690,374	\$ 1.32	\$ 3,764,161	\$ 836,859
Stock-based compensation	—	—	—	47,590
Balance at March 31, 2023	13,690,374	\$ 1.32	\$ 3,764,161	\$ 884,449

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	Number of warrants	Weighted average exercise price \$	Warrants	Contributed surplus
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)	0.15	—	—
Warrants expired	(2,776,118)	0.67	—	—
Restricted stock units	—	—	—	19,200
Stock-based compensation	—	—	—	120,162
Going Public advisory warrants	63,306	1.73	51,504	—
Broker Warrant units	377,652	1.73	307,247	—
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	—	—	—	682,329
Promissory Note Warrants to be issued	—	—	—	377,803
Balance at December 31, 2022	13,690,374	\$ 1.32	\$ 3,764,161	\$ 836,859

The following provides a summary of warrants outstanding as at March 31, 2023:

Expiry date	Number of warrants outstanding and exercisable	Exercise price \$	Weighted average remaining life (years)
September 3, 2025	750,000	0.05	2.68
June 3, 2023	2,636,016	0.72	0.67
June 3, 2031	2,700,000	0.20	8.38
June 3, 2023	401,678	0.48	0.67
June 3, 2023	440,958	1.73	0.67
June 3, 2023	3,112,404	2.60	0.67
June 3, 2023	145,241	2.60	0.67
May 5, 2025	925,924	1.35	2.60
August 26, 2023	2,578,153	0.23	0.90
	13,690,374	\$ 1.32	2.60

On April 16, 2021, the Company issued 145,241 warrants in connection with the April Financing (note 16). 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

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On February 2, 2021, the Company issued 2,893,789 warrants in connection with the Going Public Financing (note 16) and issued an additional 218,615 warrant in connection with the conversion of the share issuance liability (note 15) 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 16). 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 (2) years from the Liquidity Event, at an exercise price of \$2.60 per Class A common share (note 16). 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:

	February 2, 2021	
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 16). The fair value of warrants issued was determined \$116,488, 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	\$	0.36
Weighted average fair value of warrants at grant date	\$	0.10

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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 (2) years from the Liquidity Event, at an exercise price of \$0.72 per common share (note 16). The fair value of warrants issued was determined to be \$107,942 estimated using the Black-Scholes option pricing model with the following assumptions:

	January 28, 2021	
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 16). The fair value of warrants issued was determined to be \$891,177 estimated using the Black-Scholes option pricing model with the following assumptions:

	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.

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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 three month period ended March 31, 2023 and year ended December 31, 2022:

	Number of options	Weighted average exercise price \$
Balance at January 1, 2022	2,215,250	\$ 0.83
Forfeited and cancelled	(724,784)	1.02
Balance at December 31, 2022 and March 31, 2023	1,490,466	\$ 0.94

The following table provides additional information about the Company's stock options as at March 31, 2023:

Number of Options Outstanding	Exercise Price \$	Expiry Date	Number of Options Exercisable
336,561	\$ 0.67	November 17, 2030	191,250
325,000	\$ 0.67	December 7, 2030	199,219
96,561	\$ 0.67	January 4, 2031	52,500
90,625	\$ 0.67	January 31, 2031	48,125
350,000	\$ 0.48	February 25, 2031	153,125
100,000	\$ 0.67	April 1, 2031	82,227
32,344	\$ 1.73	May 25, 2031	12,826
50,000	\$ 1.73	May 28, 2031	—
34,375	\$ 1.73	July 20, 2031	25,000
25,000	\$ 1.73	November 29, 2031	12,500
50,000	\$ 0.69	December 20, 2031	50,000
1,490,466	\$ 0.77		826,772

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

	Year ended December 31, 2021
Expected volatility	100%
Average expected life	6.1 years
Expected forfeiture rate	0%
Risk-free interest rate	0.42% to 1.44%
Dividend yield	0%
Share price	\$0.36 to \$1.45
Weighted average fair value of options at grant date	\$ 0.77

The Company recorded stock-based compensation expense for options of \$47,590 (March 31, 2022 - \$183,748) with an offsetting increase to contributed surplus in respect of the vesting and forfeiture of stock options during the three month period ended March 31, 2023. The weighted average remaining life of the options is 8.90 years.

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18. 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

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 March 31, 2023		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	3,175,072	—	—
Lease liability	356,638	1,338,078	—
Loan payable	2,939,343	891,949	—
Promissory note	651,875	2,447,375	—
Total	\$ 7,122,928	\$ 4,677,402	\$ —

	As at December 31, 2022		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	2,953,060	—	—
Lease liability	340,266	1,148,464	—
Loans payable	2,408,803	1,126,568	—
Promissory note	573,125	2,526,125	—
Total	\$ 6,275,254	\$ 4,801,157	\$ —

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.

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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 March 31, 2023 and December 31, 2022.

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 \$11,790 at March 31, 2023 (December 31, 2022 - \$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.

19. REVENUE

	Three months ended	
	March 31, 2023	March 31, 2022
Restaurant	522,694	285,724
Total	\$ 522,694	\$ 285,724

20. 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:

	Three months ended	
	March 31, 2023	March 31, 2022
Procurement expense		
Cost of inventory	99,379	77,732
Labour	61,174	53,872
Depreciation	101,970	109,095
Total	\$ 262,524	\$ 240,699

	Three months ended	
	March 31, 2023	March 31, 2022
Fulfillment expense		
Delivery and processing fees	65,916	36,975
Labour	52,471	39,234
Packaging supplies	5,789	4,974
Total	\$ 124,176	\$ 81,183

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	Three months ended	
	March 31, 2023	March 31, 2022
General and administrative expense		
Employee Compensation	267,436	783,325
Occupancy Costs	35,634	58,026
Office & Administrative	35,647	88,945
Restaurant supplies	14,960	10,085
Technology Fees	12,667	34,750
Consulting	13,000	70,920
Professional fees	29,413	194,540
Board fees	67,500	82,500
Depreciation	43,461	58,622
Travel	—	66
Other	(90,975)	2,000
Total	\$ 428,743	\$ 1,383,779

21. 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 month period ended March 31, 2023 and March 31, 2022, the Company received \$nil benefits from government programs.

22. 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	
	March 31, 2023	March 31, 2022
Salaries and director remuneration	\$ 130,500	\$ 280,495
Stock-based compensation expense - directors and officers	13,677	130,568
Total	\$ 144,177	\$ 411,063

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As at March 31, 2023, the Company held promissory notes with certain shareholders and key management personnel comprising a principal balance of \$3,000,000 (note 12). During the three month period ended March 31, 2022, a holder of promissory notes with a principal balance of \$250,000 ceased to act as key management.

23. SUBSEQUENT EVENTS

Asset Sale

On April 13, 2023, the Company completed the sale of substantially all of the assets related to the Frozen Pizza Business. The Company completed the sale of its Frozen Pizza Business to Piano Piano, a private Italian food restaurant and frozen pizza brand based in Toronto, pursuant to a definitive transaction agreement (the “Agreement”) entered into between GA CPG Limited, a wholly owned subsidiary of the Company (the “Vendor”), and Pizapie Inc. (the “Purchaser”), a wholly owned subsidiary of Piano Piano. The Purchaser and Piano Piano are arm’s length to the Company. The assets forming part of the sale include substantially all of the equipment, contracts, inventory, and intangible property solely related to the Frozen Pizza Business (the “Frozen Pizza Assets”). The Frozen Pizza Assets exclude certain assets including, but not limited to, accounts receivable accrued prior to closing of the sale in respect of the Frozen Pizza Business (the “Closing”) and assets used in connection with the Company’s operations of its restaurant business (the “Restaurant Business”).

As consideration for the acquisition of the Frozen Pizza Assets, the Purchaser has assumed senior indebtedness in the aggregate amount of \$2,067,915 owing to certain arm’s length creditors of the Company (the “Assumed Debt”) and other liabilities of the Company in respect of its manufacturing lease, equipment financing commitments and certain other accounts payable, totaling, together with the Assumed Debt \$2,969,757 (Note 5 and Note 13).

Certain employees of the Frozen Pizza Business have been offered new employment with Piano Piano and, effective as of the Closing, have ceased employment with the Company.

249, another wholly-owned subsidiary of the Company, retains ownership of its registered and unregistered trademarks, including “General Assembly”, “General Assembly Pizza” and all branding, logos and designs in relation thereto (collectively, the “GA Trademarks”). The Vendor and 249 have granted the Purchaser and its affiliates the right to use the GA Trademarks royalty-free exclusively in connection with its operation of the Frozen Pizza Business and the sale of such other consumer packaged goods as the Purchaser may determine from time to time. The Vendor and 249 have agreed, and have agreed to cause the Company and GA Subscriptions Limited, another wholly-owned subsidiary of the Company (collectively, the Company, the Vendor, 249 and GA Subscriptions Limited are referred to as the “Vendor Group”), to limit their use of the GA Trademarks to the production, sale or distribution of fresh (not frozen) pizza, including the operation of the Company’s existing pizza restaurant located in Toronto, and such other pizza restaurants as the Company may establish from time to time.

The Vendor has further agreed, on its own behalf and on the behalf of each other member of the Vendor Group, not to compete with the Frozen Pizza Business for a period of 5 years following the Closing.

Sublease of Office Space Renewal

On April 29, 2021, the Company leased 3,737 square feet of office space located at 331-333 Adelaide Street West, Toronto, Ontario with (the “Office Space”) for an original term of six (6) years and five (5) months, commencing on May 1, 2022 and ending on September 30, 2027. On March 22, 2022, pursuant to the terms of a sublease agreement, the Company subleased the Office Space to a subtenant for a one (1) year term, commencing on April 15, 2022 and ending on April 30, 2023. The sublease has been renewed for another one (1) year term, commencing on May 1, 2023 and ending on April 30, 2024.