



**General Assembly Holdings Limited**

**Management's Discussion and Analysis**

**For the years ended December 31, 2022 and 2021**

**Date: May 02, 2023**

**General Assembly Holdings Limited**  
331-333 Adelaide Street West,  
Toronto, Ontario, M5V 2G5.



**GENERAL ASSEMBLY HOLDINGS LIMITED**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for General Assembly Holdings Limited (the "Company" or "GA" or "GA Pizza"), for the years ended December 31, 2022, and 2021.*

*This document should be read in conjunction with the information contained in the Company's audited consolidated financial statements and related notes for the year ended December 31, 2022 (the "2022 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$") and "CAD" amounts and references in this MD&A are in Canadian dollars.*

*Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, May 1, 2023, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the 2022 Financial Statements. All quarterly information contained herein is unaudited. Additional information about the Company can be found in the Company's filings with securities regulatory authorities, which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

**CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

**CORPORATE OVERVIEW**

General Assembly Holdings Limited (the "Company" or "GA" or "GA Pizza"), is a company that delivers premium pizza experiences across multiple distribution and retail channels. The Company is anchored by a flagship fast casual restaurant with dine-in and off-premises operations, and a consumer-packaged goods ("CPG") line of naturally leavened frozen pizzas, available at specialty grocery stores and through a direct-to-consumer ("DTC") eCommerce platform. The Company is a corporation incorporated on June 30, 2017, in the province of Ontario.

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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 retail sales of frozen pizza through grocery and other retail stores. GA Subscriptions Limited is a non-operating subsidiary of the Company.

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

The Company's shares commenced trading on the TSX Venture Exchange (the "TSX-V") under the symbol "GA" on June 3, 2021 (the "Liquidity Event").

On April 13, 2023, the Company completed the sale of substantially all of the assets related to the production and sale of frozen pizzas ("the Frozen Pizza Business"); details of the sale are outlined in the "Significant Operating Highlights and Developments". Under the terms of the sale, the CPG and DTC revenue channels have been sold.

**SIGNIFICANT OPERATING HIGHLIGHTS AND DEVELOPMENTS FOR YEAR ENDED DECEMBER 31, 2022, AND TO THE DATE OF THIS MD&A**

*Company files preliminary base shelf prospectus*

On November 3, 2021, the Company announced that it had filed and obtained a receipt for a preliminary short form base shelf prospectus (the "Shelf Prospectus") with the securities commissions in each of the provinces of Canada other than the province of Québec. On January 31, 2022, the Company filed an amended and restated Shelf Prospectus. The Company subsequently withdrew the Shelf Prospectus on April 8, 2022.

*Company Secures C\$2.0 million in debt financing*

On November 5, 2021, the Company issued secured promissory notes to existing shareholders (the "Lenders") in the aggregate principal amount of \$2,000,000 (the "Initial Loans"), 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 on a calendar quarter basis beginning on November 5, 2023.

The Company will pay to the Lenders 1.2% of the principal amount of the Initial Loans per annum as a monitoring fee. On January 24, 2022, the Company also issued to the Lenders, as loan bonuses, an aggregate of 1,851,849 common share purchase warrants (collectively, the "Initial Promissory Note Warrants") entitling the applicable Lender to acquire one Class A common share in the capital of the Company ("Common share") for each Initial Promissory Note Warrant held during the forty-two month period following issuance of such Lender's promissory note at an exercise price of \$1.35. If any Initial Loan is repaid prior to the one-year anniversary date of such Initial Loan, it is expected that a pro rata number of Initial Promissory Note Warrants issued in respect of such Initial Loan shall have their term reduced to the later of one year from the issuance thereof and 30 days from said repayment.

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

Certain Lenders are "related parties" (as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101")) of the Company and, therefore, the Loans from such Lenders, in an aggregate of \$250,000, are Related Party Transactions (as defined in MI 61-101) (the "Related Party Loans"). The Company is exempt from the formal valuation requirement and the minority approval requirement under MI 61-101 in respect of the Related Party Loans since, at the time of such loans, the fair market value of the consideration for the Related Party Loans does not exceed 25% of the Company's market capitalization. During the year ended December 31, 2022, a holder of promissory notes with a principal balance of \$250,000 ceased to act as key management.

On August 26, 2022, in connection with additional debt sourced in the amount of \$2.0 million ("Loans"), the maturity date associated with \$1,000,000 of the Initial Loans 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.

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On April 13, 2023, in connection with the sale of the Frozen Pizza Business, \$1,200,000 of the Initial Loan was assumed by the purchaser of the Frozen Pizza Business; see Note #12 to the Company's consolidated financial statements for further information related to loans outstanding.

#### *Company Secures C\$1.0 million in 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 Loan"), 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 note shall be repaid in nineteen (19) equal monthly installments on a calendar quarter basis beginning on November 5, 2023.

The Company will pay to the Lender 1.2% of the principal amount of the Subsequent Loan per annum as a monitoring fee. On January 24, 2022, 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") entitling the Lender to acquire one Common Share for each Subsequent Promissory Note Warrant held during the forty-two month period following issuance of such Lender's promissory note at an exercise price of \$0.76. If the Subsequent Loan is repaid prior to the one-year anniversary date of such Subsequent Loan, it is expected that a pro rata number of Subsequent Promissory Note Warrants issued in respect of such Subsequent Loan shall have their term reduced to the later of one year from the issuance thereof and 30 days from said repayment.

The Company will be entitled to prepay the Subsequent 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.

On August 26, 2022, in connection with Loans sourced in the amount of \$2.0 million, the maturity date associated with the Subsequent Loan 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.

On April 13, 2023, in connection with the sale of the Frozen Pizza Business, \$560,281 of the Subsequent Loan was assumed by the purchaser of the Frozen Pizza Business; see Note #12 to the Company's consolidated financial statements for further information related to loans outstanding.

#### *Equipment Financing*

On January 21, 2022, the Company entered into two sale 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, of \$560,215, after deduction for the initial payments and deposit 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.

#### *Company secures C\$1.75 million in debt financing*

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.

#### *Short Form Prospectus Offering*

On April 11, 2022, the Company filed a preliminary short form prospectus in connection with an offering, after which an amendment was filed on July 8, 2022. The short form prospectus was formally withdrawn on October 5, 2022.

#### *Sublease of Office Space*

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On April 29, 2021, the Company leased 3,737 square feet of office space located at 331-333 Adelaide Street West, Toronto, Ontario (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.

#### *Company secures C\$2.0 million in debt financing*

On August 26, 2022, the Company issued secured promissory notes to existing shareholders (the "Lenders") in the aggregate principal amount of \$2,000,000 ("Loans"). The Loans shall mature and be repayable, together with accrued and unpaid interest thereon, on August 26, 2023 (the "Maturity Date"). The Loans are secured by a fixed and floating charge on the Company's assets, pursuant to the terms of a general security agreement, and bear interest at the simple rate of 18% per annum. Security ranks in priority to the 2021 \$3.0 million debt financing. The Company shall be entitled to prepay any portion of the Loans or any accrued and unpaid interest thereon, in whole or in part, at its discretion at any time prior to the Maturity Date without any bonus or penalty. No monitoring fee will be payable in connection with the Loans.

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

#### *Company secures Good Manufacturing Practices audit ready facility*

On August 29, 2022, the Company terminated its existing master production facility lease ("Marycroft") and entered into a new 5-year lease in respect of a 12,610 square foot Good Manufacturing Practices ("GMP") audit ready facility ("Pacific Circle") in Mississauga, Ontario. Tenancy at Pacific Circle began on September 1, 2022, with pizza production resuming on September 19, 2022.

#### *Company secures listing agreement with Metro Ontario*

On August 30th, 2022, the Company and Metro Supermarket announced their retail partnership. The Company's premium naturally leavened frozen pizzas are available at one hundred and thirteen locations across Ontario. The pizzas will be merchandised alongside other better-for-you products in Metro's natural and wellness section. The listing includes the Company's newest innovation, the New York Sicilian premium frozen pizza, a collaboration between the Company and Impossible Foods.

#### *Company secures listing agreement with Loblaws Supermarket*

On September 30th, 2022, the Company and Loblaws Supermarket announced a 130 store partnership, the most significant Retail partnership to date for the Company. The Company's premium naturally leavened frozen pizzas are available at one hundred and thirty locations across Ontario, including Loblaws Zehrs banner locations. The listing marks a significant retail milestone for the Company. The partnership will be reviewed by Loblaws in the first quarter of 2023 and may lead to further retail expansion across the Loblaw network of supermarkets.

#### *Company Management and Board Changes*

On June 2, 2022, the Company announced the appointment of Kevin Ferrell to the Board. Mr. Ferrell brings over 13 years' experience in executive roles and 25 years' experience advising private and public companies in the areas of finance, operations, mergers and acquisitions and tax. He is currently the President of PopReach Corporation (TSXV:POPR), which completed a reverse takeover transaction in April 2022 with Federated Foundry Limited where Mr. Ferrell was COO and co-founder. Prior to that, he was President of System1 Canada ULC and President of System1, LLC's (NYSE:SST) Publishing and Agency operations. System 1, LLC acquired Qool Media Inc. in March 2017, where Mr. Ferrell was President and co-founder. He is also a CA, CPA and currently serves on several boards and advisory committees of both public and private companies. Mr. Ferrell replaced Ben Colabrese, who resigned from the Board due to requirements under his employment agreement.

On September 14, 2022, the Company announced the appointment of Glen Keleher to the Board. Mr. Keleher brings over 20 years of operational experience in multiple manufacturing industries and has extensive experience reducing production costs while providing better quality products. Mr. Keleher replaces Nicholas Reichenbach, who has resigned from the Board to pursue other interests.

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On September 15, 2022, the Company announced founder Ali Khan Lalani transitioned from CEO into the role of President of the Company, effective immediately. Eric Balshin was announced as the interim CEO subject to TSX Venture Exchange approval. The Company entered into an executive services agreement with Sophic Capital Inc., a capital markets advisory firm for public and private growth companies, pursuant to which it has retained Sophic Capital to provide the services of Mr. Balshin as interim CEO of the Company. Mr. Balshin has extensive capital markets and consumer product goods start-up experience, and brings a financial, bottom-line focus to the business. He also serves as the Vice President of Capital Markets Advisory at Sophic Capital.

Further, the Company announced that Chief Operating Officer, Hormis Tharakan would be leaving the Company, effective September 16, 2022 to pursue other opportunities.

On December 2, 2022, the Company announced the appointment of Iain Klugman to the Board. Mr. Klugman is the former CEO of Communitech Corporation, where he worked as an advisor to tech start-ups helping them build strong teams, access capital, and commercialize products. Named one of the 50 most powerful businesspeople in Canada, and awarded the Queen's Diamond Jubilee Medal, Mr. Klugman has spent the past 2 years working as a Strategic Advisor to the Deputy Minister of Health Canada in addition to launching NorthGuide Inc. Mr. Klugman replaces Karen Zuccala, who has resigned from the Board to pursue other interests.

On December 22, 2022, the Company announced the resignation of Nima Besharat from its Board of Directors. A member of the Board since the Company's go public inception in June 2021, Mr. Besharat has decided to pursue other opportunities. The Board will look to fill the vacancy in due time.

*Co-branded pizza launch*

On November 3, 2022, GA Pizza introduced its first co-branded pizza, a collaboration with Redwood City, CA-based Impossible Foods. The New York Sicilian is the Company's first frozen pizza to be made with the plant-based meat, and will first launch at 113 Metro grocery stores across Ontario. The vegetarian New York Silician pizza was jointly crafted by GA Pizza's corporate chef team and Impossible Foods' in-house team of culinary experts. The co-branded options is supported by GA Pizza's distribution partners, UNFI and Horizon, and is expected to roll out to additional retail partners beginning in November of 2022

*Frozen Pizza Business asset sale*

On April 13, 2023, the Company sold substantially all of its assets related to its production, sale and distribution of frozen pizza. Sold to Piano Piano Inc, ("Piano Piano") a private Italian food restaurant and frozen pizza brand from Toronto, the assets forming part of the sale include the equipment, contracts, inventory, and intangible property solely related to the frozen pizza business.

As consideration for the acquisition of the assets, Piano Piano has assumed senior indebtedness in the aggregate amount of \$1.76 million owing to certain arm's length creditors of the Company. This is in addition to the Company's other liabilities, regarding its manufacturing lease, equipment financing commitments, and certain other accounts payable, totaling approximately \$3 million.

The Company will retain ownership of its registered and unregistered trademarks, including all branding, logos and designs.

In the coming months, the Company expects to evaluate opportunities to expand its restaurant footprint while continuing to be prudent and realistic as it relates to its investment decisions, given prevailing market conditions and the current rebuilding of the Company's financial profile.

**RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

The Company uses certain operational and financial metrics to measure our performance. The key metrics for continuing operations are highlighted below:

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**Financial Highlights**

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenue from continuing operations</b>		
Restaurant and other	1,790,333	648,142
<b>Total revenue</b>	<b>\$1,790,333</b>	<b>\$648,142</b>
<b>Procurement Expense</b>	<b>\$1,111,427</b>	<b>\$382,469</b>
Gross Profit	\$678,906	\$265,673
Gross Profit %	37%	41%
<b>Net income (loss) from continuing operations</b>	<b>(4,138,305)</b>	<b>(6,764,819)</b>
<b>Net loss from discontinued operations</b>	<b>(5,037,646)</b>	<b>(3,833,512)</b>
<b>Net loss and comprehensive loss</b>	<b>(9,175,951)</b>	<b>(10,598,331)</b>
<b>Adjusted EBITDA from continuing operations</b>	<b>\$(3,114,678)</b>	<b>\$(5,296,797)</b>
<b>Income (loss) and comprehensive income (loss) per share</b>		
Continuing operations	\$(0.16)	\$(0.31)
Discontinued operations	\$(0.19)	\$(0.18)
Consolidated operations	\$(0.36)	\$(0.49)
<b>Weighted average number of shares outstanding</b>		
Basic	25,837,874	21,603,760
Diluted	25,837,874	21,603,760

As of December 31, 2022 and December 31, 2021, the major classes of assets and liabilities from discontinued operations included the following:

	<b>Years ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Inventory	\$ 165,226	\$ 353,487
Right-of-use assets	\$ 820,097	\$ 381,943
Capital assets	\$ 507,545	\$ 65,737
<b>Current assets from discontinued operations</b>	<b>\$ 1,492,868</b>	<b>\$ 801,167</b>
Accounts payable	\$ 80,560	\$ -
Lease liability	\$ 826,563	\$ 52,853
Loans	\$ 2,090,893	\$ 1,760,281
<b>Current liabilities from discontinued operations</b>	<b>\$ 2,998,016</b>	<b>\$ 1,813,134</b>

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.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Revenue</b>	\$ 2,288,608	\$ 3,989,195
<b>Expenses</b>		
Procurement expense	1,882,212	2,377,718
Fulfillment expense	873,215	7,903,864
General and administrative expense	2,818,926	1,852,390
Sales and marketing expense	458,545	1,535,172
<b>Total Expenses</b>	<b>6,032,898</b>	<b>7,669,144</b>
<b>Operating Loss</b>	<b>(3,744,285)</b>	<b>(3,679,949)</b>
<b>Other (income) expense:</b>		

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Finance expense	433,143	153,489
Foreign exchange	1,092	74
Gain on termination of leases	139,702	-
Loss on sales and leaseback	144,488	-
Loss on sale of assets	854,335	-
<b>Total other expenses</b>	<b>1,293,356</b>	<b>153,563</b>
<b>Loss before income taxes</b>	<b>(5,037,646)</b>	<b>(3,833,512)</b>
Provision for income taxes	-	-
<b>Net income (loss) and comprehensive income (loss) from discontinued operations</b>	<b>\$ (5,037,646)</b>	<b>\$ (3,833,512)</b>

## OUR BUSINESS

The Company performed a strategic review of its operations – both frozen and fresh – and concluded the sale of the Frozen Pizza Business was the best option to allow the Company to refocus on its roots as a fast casual premium restaurant and move forward with a financially viable business model. This review was based on available financing avenues for the Company given the increasingly challenging funding environment for micro-cap public companies in investment mode and the strategic alternatives that were available to maximize shareholder value.

The sale of the Frozen Pizza Business removes substantial indebtedness and financial obligations from the Company, as well as alleviating the ongoing requirement to fund the growth of the Frozen Pizza Business, which was operating in a significant cash burn position and, as a standalone operation, would continue to be in an unsustainable investment mode for the duration of 2023.

The transaction allows the Company to retain and invest in its cash flow positive Restaurant Business, that has now fully returned to pre-pandemic performance. Over the coming months, the Company expects to evaluate opportunities to expand its restaurant footprint while continuing to be prudent and realistic as it relates to its investment decisions, given prevailing market conditions and the current rebuilding of the Company's financial profile.

As an innovative pizza brand dedicated to making delicious pizza, GA Pizza is pivoting away from its omni channel revenue profile, to refocus on its flagship fast-casual Restaurant with dine-in and off premise operations. The asset sale results in the discontinuation of the CPG line of naturally leavened frozen pizzas and its DTC eCommerce platform.

## Q4 RESTAURANT HIGHLIGHTS

GA Pizza's flagship Restaurant is the Company's landmark pizza experience and generates revenue through dine-in and off-premises operations.

The renovated Restaurant reopened at the beginning of December 2021 and offers a fresh dining experience and an all-new shopping experience. The Restaurant also features an updated take-out space designed specifically for pick up and app-based delivery services. GA Pizza's experience channel, which is comprised of off-premises catering and temporary pop-up locations, continues to play a key marketing role for the Company.

In Q4 2022, the Company's Restaurant continued to see month-over-month gains, with a renewed focus on labour cost savings and driving down food costs. With a return to pre-pandemic sales volume on a monthly basis, the Restaurant is in a cash flow positive position, allowing for strategic reinvestment. Over the coming months, the Company expects to evaluate opportunities to expand its restaurant footprint.

## OUR STRATEGIC PRIORITIES

With the sale of the Frozen Pizza Business, the Company is refocusing on the following strategic priorities:

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1. Drive demand
2. Alleviate cash burn
3. Sustainable investment

**1. DRIVE DEMAND**

The Company's plan to drive demand of the flagship fast-casual restaurant is based on a renewed focus of in-dining and off-premise opportunities. This includes building partnerships to maximize brand awareness and loyalty, while also expanding the restaurant's clientele.

**2. ALLEVIATE CASH BURN**

The sale of the Frozen Pizza Business removes substantial indebtedness and financial obligations from the Company, as well as alleviates the ongoing requirement to fund growth of the Frozen Pizza Business. Having been operating in a significant cash burn position, the Company has been unable to invest in growth as planned. With the Restaurant operating in a cash flow positive position, we are focusing on maximizing efficiencies to minimize labour costs, while also finding economies of scale to drive down food costs.

**3. SUSTAINABLE INVESTMENT**

- With a renewed focus on the cash flow positive Restaurant, the Company expects to evaluate opportunities to expand its restaurant footprint, while continuing to be prudent and realistic as it relates to its investment decisions, given prevailing market conditions and the current rebuilding of the Company's financial profile. Coupled with partnerships that drive both demand and cost savings, we are positioning the Company for growth and sustainability.

**OUTLOOK**

- We believe we are well positioned to execute upon our strategic initiatives, and we expect to continue to grow our revenues as we develop new partnerships, focus on sustainable growth and investment in our flagship restaurant operations. See "Forward-Looking Information".
- With a return to pre-pandemic operations, this will further help to drive the Company's growth initiatives.

**FINANCIAL PERFORMANCE REVIEW FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

**Selected Financial Information for continuing operations**

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	Year Ended December 31	
	2022	2021
<b>Revenue</b>	<b>\$1,790,334</b>	<b>\$648,142</b>
Procurement expense	1,111,427	382,469
<b>Gross Profit for continuing operations</b>	<b>\$678,907</b>	<b>\$265,673</b>
Gross Profit %	38%	41%
Fulfillment expense	464,181	130,2424
General and administrative expense	4,272,815	5,834,069
Sales and marketing expense	53,790	448,238
<b>Operating loss for continuing operations</b>	<b>(4,111,879)</b>	<b>(6,146,876)</b>
Finance expense	1,098,475	148,812
Remeasurement of derivative warrant liability	(1,076,672)	461,769
Foreign Exchange	4,641	7,362
<b>Total other expenses (income)</b>	<b>26,426</b>	<b>617,943</b>
<b>Net income (loss) for continuing operations</b>	<b>\$(4,138,305)</b>	<b>\$(6,764,819)</b>
Net income from discontinued operations	(5,037,646)	(3,833,512)
<b>Net income (loss)</b>	<b>(9,175,951)</b>	<b>(10,598,331)</b>
<b>Adjusted EBITDA</b>	<b>(3,114,678)</b>	<b>(5,296,797)</b>

*Revenue by channel*

	Year Ended December 31	
	2022	2021
Restaurant	\$1,790,334	\$648,142
<b>Total Revenue from continuing operations</b>	<b>\$1,790,334</b>	<b>\$648,142</b>
Direct-to-Consumer (DTC)	\$1,063,014	\$3,060,410
Retail	1,225,594	928,785
<b>Total Revenue from discontinued operations</b>	<b>\$2,288,608</b>	<b>\$3,989,195</b>
<b>Total Revenue</b>	<b>\$4,078,942</b>	<b>\$4,637,337</b>

REVENUE

Years ended December 31, 2022 and 2021

The Company generates revenues from hot pizza sold through its restaurant operations.

Revenue increased by 1,142,192 (176%) to \$1,790,334 in the year ended 2022, compared to \$648,142 in the year ended 2021. The increase in revenue reflects the impact of in-dining closures in the prior year due to COVID-19 restrictions, as well as a full scale renovation of the restaurant in Q4 of 2021. With few in-dining restrictions in 2022, the restaurant has returned to pre-pandemic revenue levels on a monthly basis. Discontinued revenues decreased by (\$1,700,587) (43%) to \$2,288,608 in the year ended 2022, compared to \$3,989,195 in the year ended 2021. This is due to a significant reduction in subscription revenues throughout 2022; the Company purposely shifted away from DTC customer acquisition, resulting in a decrease in both active subscriptions, as well as one time purchase transactions.

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#### **PROCUREMENT EXPENSES**

Procurement expenses consist of the cost of raw materials, employee wages and benefits, overhead directly related to the manufacturing of the Company's frozen and hot pizza products. Also included in procurement cost are supplies, inventory packaging, the cost of inbound shipping/freight and operating costs associated with the Restaurant including food costs, direct labour and overhead directly attributable.

#### *Years ended December 31, 2022 and 2021*

Procurement expense increased by \$728,958 (191%) to \$1,111,427 for the year ended December 31, 2022, compared to \$382,469 in 2021. The increase in procurement costs for the year ended December 31, 2022, compared 2021, is related to the reopening of the restaurant in December 2021, post renovation, as well as the lifting of all COVID-19 in-dining restrictions, which had a significant impact on the Restaurant's ability to operate in 2021. Procurement expenses related to discontinued operations decreased by \$495,506 ((21%)) to \$1,882,212 for the year ended December 31, 2022, compared to \$2,377,718 in 2021. This is related to the decline in the DTC frozen pizza business, with a purposeful shift away from DTC customer acquisition in the second quarter of 2022.

#### **FULFILLMENT EXPENSE**

Fulfillment expenses include costs for picking, packaging of frozen pizza inventory into orders for shipment and last mile delivery to consumers and or retail locations. The Company includes third party picking and packaging costs, packaging materials, labour directly related to picking and packaging of orders, third party freight and shipping charges for the delivery of customer orders.

#### *Years ended December 31, 2022 and 2021*

Fulfillment costs increased by \$333,939 (256%) to \$464,181 for the year ended December 31, 2022, compared to \$130,242 in 2021. The increase in fulfillment costs for the year ended December 31, 2022, compared to 2021, is related to few in-dining restrictions at the Restaurant in 2022, allowing the Restaurant to return to pre-pandemic revenue levels on a monthly basis. Fulfillment expenses related to discontinued operations decreased by \$(1,030,649) ((54%)) to \$873,215 for the year ended December 31, 2022, compared to \$1,903,864 in 2021. This is due to a reduction in units produced and shipped from the Company's DTC frozen pizza offerings. The purposeful shift away from customer acquisition within the DTC marketplace has changed the revenue and cost composition in 2022, as compared to the year ended 2021.

#### **SALES AND MARKETING EXPENSE**

Sales and marketing expenses include the cost of marketing initiatives to build brand awareness, online advertising spend, customer acquisition costs for new subscribers and retail marketing programs and collateral.

#### *Years ended December 31, 2022 and 2021*

Sales and marketing costs decreased by \$(394,448) ((88%)) to \$53,790 for the year ended December 31, 2022, compared to \$448,238 in 2021. The decrease in sales and marketing costs for the year ended December 31, 2022, compared to 2021 reflects the Company's purposeful shift away from online advertising in 2022. With brand awareness established in prior periods, as well as a focus on cost cutting, sales and marketing spend in 2022 has been much more specific to the restaurant. Sales and marketing expenses related to discontinued operations decreased by \$(1,076,627) ((70%)) to \$458,545 for the year ended December 31, 2022, compared to \$1,535,172 in 2021. This is due to a purposeful shift away from customer acquisition within the DTC marketplace via targeted online advertising. With a focus on growing the Retail revenue stream in 2022, the Company redeployed resources to support Retail partners, while continuing to build brand awareness.

#### **GENERAL AND ADMINISTRATIVE EXPENSE**

General and administrative expenses include employee wages and benefits, office and occupancy costs, technology, communications, and restaurant supplies, as well as the cost of consultants, board retainers and accounting, legal, tax, and

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advisory fees. General and administrative expenses in 2021 also include public company costs related to the Company's June 3, 2021, listing and on-going costs associated with maintaining its listing on the TSX-V.

#### Years ended December 31, 2022 and 2021

General and administrative costs decreased by \$(1,561,254) ((27%)) to \$4,272,815 for the year ended December 31, 2022, compared to \$5,834,069 in 2021. The decrease in general and administrative costs for the year ended December 31, 2022, compared to 2021 was primarily the result of a decrease in headcount, professional and consulting fees in 2022. 2021 included professional fees related to the go public transaction, as well as significant employee compensation and consulting fees. This was moderately offset by an increase in office and occupancy expenses, and an increase in costs related to restaurant supplies, with an office presence in 2022. General and administrative expenses related to discontinued operations increased by \$966,536 (52%), to \$2,818,926, compared to \$1,852,390 in 2021. This is due to an increase in headcount and operating costs related to the frozen pizza manufacturing facility, which came online in September of 2021.

#### FINANCE EXPENSE

For the year ended December 31, 2022, the Company incurred interest expense related to several outstanding loans as well as interest related to the Company's lease liabilities. See note #12 to the Company's consolidated financial statements for further information related to loans outstanding and interest charges.

Finance expense in the year ended December 31, 2022 was \$1,098,457, compared to \$148,812 in the year ended December 31, 2021. Finance expense related to discontinued operations in the year ended December 31, 2022 was \$433,143, compared to \$153,489 in the year ended December 31, 2021.

#### GAIN/ LOSS ON DERIVATIVE WARRANT LIABILITY

The Company's derivative warrant liability relates to the Series 2 and 3 warrants issued in connection with the November 17, 2020, non-brokered private placement of units. The holders of the warrants may elect in lieu of exercising the warrants for cash, a cashless exercise option to receive Common Shares equal to the fair value of the warrants. The fair value is determined by multiplying the number of warrants to be exercised by the weighted average market price less the exercise price with the difference divided by the weighted average market price.

During the year ended December 31, 2022, 1,750,000 warrants were exercised and \$78,588 were transferred from derivative warrant liability to share capital (see Note #16 to the Company's consolidated financial statements for further information). Immediately prior to exercise, the fair value of warrants were remeasured and resulted gain on remeasurement of \$1,060,116. In November 2022, the remaining 2,776,118 warrants were expired and resulted gain of \$16,556.

At December 31, 2022, all related warrants had either been exercised or expired.

#### **NON-GAAP FINANCIAL MEASURES**

The Company measures the success of the Company's strategies and performance based on Adjusted EBITDA, which is outlined and reconciled with net income (loss). The Company defines adjusted EBITDA as net income (loss) from operations before: (a) depreciation of property and equipment and amortization of intangible assets; (b) share-based payments; (c) finance income and costs; (d) gain or loss from the remeasurement of derivative warrant liabilities; (e) depreciation of right-to-use assets; and (h) employee severance expenses. Management uses adjusted EBITDA as a measure of the Company's operating performance because it provides information related to the Company's ability to generate operating cash flows for working capital requirements, capital expenditures, and potential acquisitions. The Company also believes that analysts and investors use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in its industry.

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**Adjusted EBITDA**

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Net income (loss) as reported</b>	<b>\$(4,138,305)</b>	<b>\$(6,764,819)</b>
Adjustments:		
Stock-based compensation	120,162	682,329
Depreciation	877,039	167,750
Finance expense	1,098,457	148,812
Remeasurement of derivative warrant liability	(1,076,672)	461,769
Other expense (income)	—	—
Foreign Exchange	4,641	7,362
<b>Adjusted EBITDA</b>	<b>\$(3,114,678)</b>	<b>\$(5,296,797)</b>

The non-IFRS financial measure is used in addition to and in conjunction with results presented in the Company's consolidated financial statements prepared in accordance with IFRS and should not be relied upon to the exclusion of IFRS financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-IFRS financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-IFRS adjustments described above, and exclusion of these items from the Company's non-IFRS measures should not be construed as an inference that these costs are unusual, infrequent, or non-recurring.

**ADJUSTED EBITDA**

Adjusted EBITDA for the year ended December 31, 2022 was a loss of \$3,114,678, compared to a loss of \$5,296,797 in the year ended December 31, 2021. The decrease in the Adjusted EBITDA loss for the year ended December 31, 2022, compared to the same period in the prior year was a result of numerous cost cutting initiatives undertaken in 2022 related to headcount, operating costs and scaling back of online advertising costs. In addition, significant professional and consulting fees were incurred in 2021 related to the go public transaction.

**SUMMARY OF QUARTERLY RESULTS**

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS. Note that the quarterly data has been prepared on a consolidated basis and includes both continuing and discontinued operations.

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	For the three months ended (unaudited)			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	\$990,833	\$979,157	\$1,012,173	\$1,096,779
Net income (loss) and comprehensive income (loss)	(1,880,776)	(3,196,643)	(1,160,579)	(2,937,953)
Total assets	4,762,762	6,773,014	9,679,513	11,435,127
Total liabilities	13,030,379	13,397,497	13,270,246	14,086,449
<b>Income (loss) and comprehensive income (loss) per share</b>				
Basic	\$(0.13)	\$(0.12)	\$(0.05)	\$(0.13)
Diluted	(0.13)	(0.12)	(0.05)	(0.13)

	For the three months ended (unaudited)			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	\$999,168	\$1,291,960	\$1,273,870	\$1,072,339
Net income (loss) and comprehensive income (loss)	(1,230,174)	(4,410,159)	532,214	(5,490,212)
Total assets	11,564,411	11,713,140	11,048,374	11,547,620
Total liabilities	11,461,528	10,963,865	6,128,342	7,853,957
<b>Income (loss) and comprehensive income (loss) per share</b>				
Basic	\$(0.06)	\$(0.20)	\$0.02	\$(0.28)
Loss per share (basic and diluted)	(0.06)	(0.20)	(0.09)	(0.28)

During the holiday and summer seasons, the Company typically anticipates revenues to be lower as a higher proportion of individuals choose to forgo eating at restaurants or ordering online. While this is typically the case, the COVID-19 pandemic has had, and may continue to have, an impact on this trend. The increase in revenue in 2021 as compared to 2020, was the result of the successful launch of the Company's subscription and CPG frozen pizza offering in September 2020 gaining traction in the market along with increased marketing spend to generate awareness. During periods with warmer weather, the Company anticipates packaging costs to be higher due to the additional packaging required to maintain food freshness and quality. The Company also anticipates food cost to be positively affected due to improved availability during periods with warmer weather. The increase in net loss in 2021 compared to 2020 relates to increased marketing in connection with marketing the new revenue channels coupled with the increase in legal and professional fees in connection with the Company's go public listing and increased head count in the form of full-time staff and part-time consultants.

Though revenues appear stagnant in 2022, the distribution of revenues between each of the revenue channels changed considerably, with a significant quarter over quarter decrease in DTC revenues, and growth in both the CPG and Restaurant revenue streams.

**LIQUIDITY AND CAPITAL RESOURCES**

Selected financial information from the statements of financial position as at December 31, 2022 and 2021, are as follows:

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**Liquidity and Capital Resources**

	Year ended	
	December 31, 2022	December 31, 2021
Cash and Cash Equivalents	\$288,762	\$1,259,395
Working Capital (1)	(6,771,216)	(3,073,217)
Total assets	4,762,762	11,564,411
Current liabilities	9,005,348	6,165,090
Other non-current liabilities	4,025,032	5,296,438
Shareholders' equity (deficiency)	(8,267,618)	(13,808,774)

<sup>1</sup>Working capital is defined as current assets less current liabilities. Included in the calculation of working capital is a derivative warrant liability of \$nil at December 31, 2022. This derivative warrant liability will be settled by way of share issuance by the Company when the warrants are exercised by the holders. December 31, 2022, the Company's working capital, excluding the derivative warrant liability was negative \$6,771,216.

The table below outlines a summary of cash inflows and outflows by activity for the year ended December 31, 2022 and 2021.

**Cash Flow**

	Year Ended December 31,	
	2022	2021
Operating activities	\$(2,080,959)	\$(4,796,891)
Investing activities	3,495,641	10,316,929
Financing activities	(2,385,316)	(5,139,148)
<b>Net change in cash and cash equivalents</b>	<b>\$(970,633)</b>	<b>\$380,890</b>

**Net Cash Used in Operating Activities**

Cash flows used in operations totaled \$2,080,959 for the year ended December 31, 2022, compared to cash used in operations of \$4,796,891 for the same period in 2021. The decrease in cash used in operations compared to the prior year is a result of the significant reduction in headcount, infrastructure, marketing initiatives; in addition, the go public transaction in 2021 incurred significant professional and consulting fees. For the year ended December 31, 2022, changes in non-cash working capital for the period increased the cash used by operations by a total of \$983,095 as the Company's accounts payable and accrued liability balance increased by \$372,817, accounts receivable decreased by \$410,965, which was offset by a marginal increase in unearned revenue at December 31, 2022.

**Cash used in Investing Activities**

Cash flow used in investing activities was \$2,385,315 for the year ended December 31, 2022, compared to cash used in investing activities of \$5,139,148 for the year ended December 31, 2021. During the year 2022, cash used in discontinued operations was \$2,385,315, compared to \$2,666,850 during the year ended December 31, 2021.

**Cash provided by Financing Activities**

Cash provided by Financing Activities for the year ended December 31, 2022, was \$3,495,641 compared to cash provided of \$10,316,929 for the year ended December 31, 2021. During the year ended December 31, 2022, the Company received proceeds from the exercise of warrants of \$187,500, net proceeds from a sales leaseback transaction in the amount of \$327,615 and proceeds for debt financing in the amount of \$3,750,000.

For the year ended December 31, 2021, the Company utilized the funding from its Series A and Going Public Financing to fund its increase in sales and marketing expenses, fund its operating losses, which have increased as the Company has added new headcount to support its DTC operations, as well as utilizing a portion of the funding to acquire and build out its Marycroft production facility and fund equipment purchases that will allow the Company increase its production capacity and enable it to manufacture frozen pizzas more efficiently.

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The Company has been reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern has been dependent upon the Company's ability to profitably manufacture and distribute our frozen pizza products direct to consumers and to retailers as well as generate revenues and contribution from our restaurant. As at December 31, 2022, the Company had working capital deficit of \$6,771,216 after adjusting for the derivative warrant liability which is a non-cash item. As at December 31, 2022, the Company had an accumulated deficit of \$22,984,725 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing to commence profitable operations in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The sale of the Frozen Pizza Business serves to alleviate the ongoing requirement to fund operations and growth of said business, while also removing substantial indebtedness and financial obligations from the Company.

Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for capital expenditures, working capital needs and principal and interest payments on its debt. The Company uses its operating cash flows, loans and borrowings and cash balances to maintain liquidity. In the event future cash flows from operations are lower than expected, the Company may need to seek additional financing, either by issuing additional equity or by undertaking additional borrowings. There is no certainty that additional financing will be available or that it will be available on attractive terms. Additional information can be found in the Company's Consolidated Financial Statements which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Capital Management**

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, derivative warrant liability, share issuance liability, share capital, and accumulated deficit. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of special shares without nominal or par value and an unlimited number of common shares. The table below lists the securities outstanding:

	<b>As at</b>		
	<b>August 26, 2022</b>	<b>30-Jun-22</b>	<b>December 31, 2021</b>
Common shares	25,837,874	25,837,874	22,348,744
Stock options	1,622,027	1,733,562	2,215,250
Warrants			
Advisory warrants <sup>(1)</sup>	697,476	697,476	697,476
Share purchase warrants	15,623,856	15,623,856	13,869,779
Broker warrant units <sup>(2)</sup>	566,478	566,478	566,478
<b>Total Common Shares on a fully diluted basis</b>	<b>44,347,711</b>	<b>44,459,246</b>	<b>39,697,727</b>

Note 1 - Advisory Warrants: There are 464,984 Warrants issued to advisors of the Company (the "Advisory Warrants"), of which 401,678 Advisory Warrants were issued in connection with the Series A Financing and 63,306 Advisory Warrants were issued in connection with the Going Public Financing. The Advisory Warrants are each exercisable for the purchase of one unit of the Company (the "Advisory Unit") at a price of \$0.48 per Advisory Warrant for the Advisory Warrants issued in connection with the Series A Financing and at a price of \$1.73 per Advisory Warrant for the Advisory Warrants issued in connection with

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the Going Public Financing. Each Advisory Warrant is exercisable until the date that is 24 months from the date of a Liquidity Event. Each Advisory Unit is comprised of one Common Share and one-half of one Warrant (an "Underlying Advisory Warrant"). Each Underlying Advisory Warrant is exercisable for the purchase of one Common Share at an exercise price of \$0.72 per share for the Advisory Warrants issued in connection with the Series A Financing and at an exercise price of \$2.60 per Underlying Advisory Warrant for the Advisory Warrants issued in connection with the Going Public Financing. The Underlying Advisory Warrant issued in connection with the Series A Financing are exercisable until the earlier of: (i) the date that is two years following a Liquidity Event, and (ii) twenty-five years following issuance. The Underlying Advisory Warrant issued in connection with the Going Public Financing are exercisable until two years from the date of a Liquidity Event.

Note 2 – Broker Warrants Units: There are 377,652 Warrants issued to brokers of the Company (the "Broker Warrants"). Each Broker Warrant is exercisable for the purchase of one unit of the Company (a "Broker Unit") at an exercise price of \$1.73 per unit. Each Broker Warrant is exercisable until the date that is 24 months from the date of a Liquidity Event. Each Broker Unit is comprised of one Common Share and one and one-half of one Warrant (an "Underlying Broker Warrant"). Each Underlying Broker Warrant is exercisable for the purchase of one Common Share for a period of two years from the date of a Liquidity Event at an exercise price of \$2.60 per share.

## CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations at December 31, 2022:

	Payments due by period			
	Total	Less than 1 year	1-5 Years	More than 5 years
Lease obligations	1,783,718	356,367	1,427,351	—
Loan payable	4,313,313	2,645,085	1,668,228	—
Promissory note	3,099,250	573,125	2,526,125	—
<b>Total</b>	<b>\$9,196,281</b>	<b>\$3,574,577</b>	<b>\$5,621,704</b>	<b>—</b>

<sup>1</sup>Includes principal and interest.

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 share issuance liability are measured at fair value using Level 3 inputs. During the year ended December 31, 2022, derivative warrant liability was transferred to a Level 2.

## OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2022, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks in the normal course of operations including credit risk, liquidity risk, foreign currency risk, interest rate risk, commodity price risk and equity risk. 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:

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***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 December 31, 2022		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	2,953,062	—	—
Lease liability	340,266	1,148,464	—
Loan payable	2,408,803	1,126,568	—
Promissory note	258,125	1,750,000	—
<b>Total</b>	<b>\$5,619,990</b>	<b>\$4,025,032</b>	<b>\$ —</b>

	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	528,639	4,388,178	1,457,346
Loans payable	32,019	908,260	—
<b>Total</b>	<b>\$3,140,900</b>	<b>\$5,296,438</b>	<b>\$1,457,346</b>

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and amount receivables. Cash and cash equivalents is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and amounts receivable are managed by management. The 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 were insignificant at December 31, 2022, and 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.

***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.

***Equity price risk***

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early-stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange maybe

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be affected by such volatility.

## **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 income (loss):

	<b>12 months ended</b>	
	<b>Dec 31, 2022</b>	<b>Dec 31, 2021</b>
Salaries and director remuneration	\$1,093,801	\$1,181,159
Stock-based compensation expense - directors and officers	217,947	97,805
<b>Total</b>	<b>\$1,311,748</b>	<b>\$1,278,964</b>

As at December 31, 2022, included in accounts payable was \$49,614 (December 31, 2021 - \$49,614) and included in accrued liabilities was \$397,500 (December 31, 2021 - \$164,000) of payments owed to key management personnel. For the year ended December 31, 2022, the Company forgave a short term loan to the Company's founder in the amount of \$54,561 (December 31, 2021 - \$54,561 included in due to/from related parties). Compensation paid to the founder is included in general and administration in the consolidated statements of loss and comprehensive loss.

As at December 31, 2021, the Company held promissory notes comprised of a principal balance of \$3,000,000, of which \$500,000 was entered into with certain shareholders and key management personnel of the Company. During the year period ended December 31, 2022, a holder of promissory notes with a principal balance of \$250,000 ceased to act as key management.

## **SIGNIFICANT JUDGMENTS AND ESTIMATES**

The preparation of the Company's 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 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 following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements.

### **Common control**

In preparation of the consolidated financial statements, significant judgement was required to determine whether the Company and 249 were controlled by the same party before September 1, 2020. Given such control existed prior to September 1, 2020, the Company and 249 were considered under common control.

### **Provision and contingencies**

The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### **Share-based payment transactions**

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The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires assumptions be made for the inputs to the valuation model, which include the expected life of the equity instrument, share price, volatility, dividend yield and forfeiture rate.

#### **Useful lives of property and equipment**

Management is depreciating the furniture and fixtures, equipment and leasehold improvements on a straight-line basis, with the following useful lives:

Computer Equipment	3 years
Furniture and fixtures	5 years
Manufacturing Equipment	5 - 7 years
Leasehold improvements	Shorter of lease term and 10 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

#### **Determination of incremental borrowing rate**

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

#### **Determination of the lease term**

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

#### **Income taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### **Derivative warrant liability**

Warrants issued pursuant to a private placement that are exercisable in cash, or on a cashless basis resulting in a variable number of shares being issued, are considered a derivative liability and therefore measured at fair value.

The Company uses the Black-Scholes option pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares, the expected life of the warrants and the fair value of the Company's shares. The impact of changes in key assumptions is described in note 14.

#### **Government grants**

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In the context of certain government programs where a benefit is received by both the Company and another party, management has applied significant judgment in determining whether the Company is the recipient of a government grant, or whether it is receiving an indirect benefit from a third party.

## **RISK FACTORS AND UNCERTAINTIES**

The Company is subject to various financial, operational, and political risks that could have a significant impact on its business, profitability, and levels of operating cash flows. Although the Company assesses and seeks to mitigate these risks by careful management of its activities, resources and employing qualified personnel, these risks cannot be eliminated. Such risks include, but are not limited to, business and country risks discussed below.

### **Business Risk Factors**

#### *Future Funding*

As the Company has limited financial resources, the Company's continuing operations are dependent on its ability to secure equity and/or debt financing. There can be no assurance that future funding will be available to the Company for further development of the Company's current business activities, or to identify, evaluate and pursue, if appropriate, new lines of business. The ability of the Company to arrange additional financing in the future will depend, in part, on prevailing capital market conditions generally, as well as the business performance of the Company.

### **Country Risk Factors**

#### *Political and Economic Conditions*

Regardless of the economic viability of the Company's pursuit of new lines of business it may be materially adversely affected by risk factors associated with conducting business activities including political instability and violence, war and civil disturbance, acts of terrorism, expropriation or nationalization, inequitable treatment of non-domiciled companies, changing fiscal regimes, fluctuations in currency exchange rates, high rates of inflation, underdeveloped industrial and economic infrastructure that could affect the Company's ability to raise additional capital.

For a discussion of these and additional risk factors, please refer to the Company's final long form prospectus under "Risk Factors and Uncertainties" therein. The prospectus filed on May 13, 2021, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CONTROLS CERTIFICATION**

In connection with National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer, will file a Venture Issuer Basic Certificate with respect to the financial information contained in consolidated financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.