

GENERAL ASSEMBLY HOLDINGS LIMITED

Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian Dollars)

Table of Contents

	<u>Page</u>
<u>Consolidated Statements of Financial Position</u>	2
<u>Consolidated Statements of Loss and Comprehensive Loss</u>	3
<u>Consolidated Statements of Changes in Shareholders' Equity (Deficiency)</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to the Consolidated Financial Statements</u>	6



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
General Assembly Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of General Assembly Holdings Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company's current liabilities exceeded its total assets. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

The key audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of the key audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below providing a



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separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

Valuation and Classification of Loans

Description of the Matter

We identified the valuation and classification of loans as a key audit matter as it is quantitatively significant to the financial statements as a whole. As disclosed in Note 1 of the financial statements, the Company was at an accumulated deficit and working capital deficiency position as of December 31, 2022. There is potential for material misstatements in relation to loans being recorded in an amount less than what the Company is obligated.

Audit Response

Our primary procedures to address this key audit matter include i) reviewed the loan agreements to verify the key terms, such as principal amounts, interest rate and maturity; ii) reviewed management's schedules to understand their approach on initial recognition and subsequent measurements on loans; iii) analyzed the loans against applicable IFRS standards to ensure management's accounting treatment is correct; iv) recalculated the interest expenses for each loan and reconciled to trial balance to ensure accuracy. We also discussed with the Company's internal legal counsel for any risk of potential litigation against the Company.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on May 2, 2022.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal



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control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

May 1, 2023
Toronto, Ontario

DNTW Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants

GENERAL ASSEMBLY HOLDINGS LIMITED
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	Note	<u>As at December 31,</u> 2022	<u>As at December 31,</u> 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 288,762	\$ 1,259,395
Amounts receivable	5	378,275	789,240
Inventory	6	27,367	35,947
Prepaid expenses and deposits	7	45,804	151,563
Due from related parties	22	1,056	54,561
Assets from discontinued operations	4	1,492,868	801,167
Total current assets		2,234,132	3,091,873
Non-current assets			
Prepaid expenses and deposits	7	217,681	293,933
Right-of-use assets	8	1,128,055	4,642,678
Property and equipment	9	1,182,894	3,535,927
Total non-current assets		2,528,630	8,472,538
Total assets		\$ 4,762,762	\$ 11,564,411
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 2,953,062	\$ 2,580,242
Unearned revenue		47,075	55,796
Current portion of lease liability	11	340,266	528,639
Current portion of loans	12	2,408,803	32,019
Derivative warrant liability	14	—	1,155,260
Current portion of promissory note	13	258,125	—
Liabilities from discontinued operations	4	2,998,017	1,813,134
Total current liabilities		9,005,348	6,165,090
Long-term liabilities			
Lease liability	11	1,148,464	4,388,178
Loans	12	1,126,568	908,260
Promissory note	13	1,750,000	—
Total long-term liabilities		4,025,032	5,296,438
Total liabilities		13,030,380	11,461,528
Shareholders' equity (deficiency)			
Share capital	16	10,116,087	9,449,999
Warrants	17	3,764,161	3,386,358
Contributed surplus	17	836,859	1,075,300
Deficit		(22,984,725)	(13,808,774)
Total shareholders' equity (deficiency)		(8,267,618)	102,883
Total liabilities and shareholders' equity (deficiency)		\$ 4,762,762	\$ 11,564,411

Nature of operations and going concern (note 1)

Subsequent events (note 23)

Approved on behalf of the Board:

/s/ Ted Hastings

Ted Hastings, Director and Chairman of the Board

/s/ Eric Balshin

Eric Balshin, Interim CEO

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Consolidated Statement of Loss and Comprehensive Loss
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	Note	For the years ended December 31,	
		2022	2021
Revenue	19	\$ 1,790,334	\$ 648,142
Expenses			
Procurement expense	20	1,111,427	382,469
Fulfillment expense	20	464,181	130,242
General and administrative expense	20	4,272,815	5,834,069
Sales and marketing expense	20	53,790	448,238
Total Expenses		5,902,213	6,795,018
Operating Loss		(4,111,879)	(6,146,876)
Other (income) expense:			
Finance expense	11,12	1,098,457	148,812
Foreign exchange		4,641	7,362
Remeasurement of derivative warrant liability	14	(1,076,672)	461,769
Total other (income) expense		26,426	617,943
Loss from continuing operations before income taxes		(4,138,305)	(6,764,819)
Provision for income taxes		—	—
Net loss and comprehensive loss from continuing operations		\$ (4,138,305)	\$ (6,764,819)
Discontinued operations:			
Net Loss from discontinued operations, net of tax		(5,037,646)	(3,833,512)
Net loss and comprehensive loss		\$ (9,175,951)	(10,598,331)
Loss per share (basic and diluted) from continuing operations		\$ (0.16)	\$ (0.31)
Loss per share (basic and diluted) from discontinued operations		(0.19)	(0.17)
Loss per share (basic and diluted)		\$ (0.36)	(0.49)
Weighted average number of shares outstanding - basic and diluted		25,837,874	21,603,760

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	Share Capital		Warrants	Contributed Surplus	Deficit	Total
	Common shares Number	Common shares Amount				
Balance – December 31, 2020	13,372,854	\$ 1,612,051	\$ 626,590	\$ 15,168	\$ (3,210,443)	\$ (956,634)
Issuance of units in connection with the Series A Financing, net of issuance costs	2,249,939	735,081	116,488	—	—	851,569
Issuance of units in February 2021 in connection with the Going Public Financing, net of issuance costs	5,787,583	7,153,670	1,333,643	—	—	8,487,313
Issuance of units in connection with the conversion of debt	437,229	635,303	121,106	—	—	756,409
Issuance of common shares in connection with finders fees	210,658	—	—	—	—	—
Issuance of units in April 2021 in connection with the Going Public Financing, net of issuance costs	290,481	421,984	80,441	—	—	502,425
Issuance of advisory warrants	—	(668,383)	668,383	—	—	—
Issuance of Series A advisory warrants	—	(80,956)	80,956	—	—	—
Issuance of Going Public advisory warrants	—	(51,504)	51,504	—	—	—
Issuance of Broker Warrant units	—	(307,247)	307,247	—	—	—
Promissory Note Warrants to be issued	—	—	—	377,803	—	377,803
Stock based compensation	—	—	—	682,329	—	682,329
Net loss and comprehensive loss	—	—	—	—	(10,598,331)	(10,598,331)
Balance – December 31, 2021	22,348,744	9,449,999	3,386,358	1,075,300	(13,808,774)	102,883
Promissory Note Warrants issued	—	—	377,803	(377,803)	—	—
Warrants exercised & 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)

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	Note	Year Ended December 31,	
		2022	2021
Cash flows from operating activities			
Net loss		(4,138,305)	(6,764,819)
Changes in non-cash operating items:			
Stock based compensation	17	139,362	682,329
Depreciation	8,9	877,039	564,795
Remeasurement of derivative warrant liability	14	(1,076,672)	461,769
Interest expense on loans and lease liability	11,12	1,098,457	148,812
Write off of related party loans			(54,561)
Changes in non-cash working capital			
Inventory		8,580	(7,721)
Amounts receivable		410,965	(604,364)
Prepaid expenses and deposits		182,011	(403,541)
Unearned revenue		(8,721)	34,340
Due from related parties		53,505	
Accounts payable and accrued liabilities		372,820	1,146,070
Net cash used in operating activities		(2,080,959)	(4,796,891)
Cash flows from financing activities			
Lease payments	11	(769,474)	(676,597)
Net proceeds from Series A financing, net of issuance costs	16		851,569
Net proceeds from Going Public financing, net of issuance costs	16		8,989,738
Warrant exercise		187,500	
Net proceeds from sale and leaseback	12	327,615	
Proceeds from debt financing	13	3,750,000	1,239,719
Repayment of loans	12		(87,500)
Net cash provided by (used in) financing activities		3,495,641	10,316,929
Cash flows from investing activities			
Acquisition of property and equipment	8		(2,472,298)
Cash used in discontinued operations		(2,385,315)	(2,666,850)
Net cash used in investing activities		(2,385,315)	(5,139,148)
Change in cash and cash equivalents during the period			
		(970,633)	380,890
Cash and cash equivalents – beginning of period		1,259,395	878,505
Cash and cash equivalents – end of period		288,762	1,259,395
Supplemental disclosure of non-cash transactions			
Additions to right-of-use assets under leases	6	808,817	3,091,056
Shares issued to settle share issuance liability		—	756,409

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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.

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 year ended December 31, 2022, the Company incurred a net loss of \$9,175,951 (2021- net loss of \$10,598,331) and working capital deficiency of \$6,771,216 (2021 - \$3,073,217). As of December 31, 2022, the Company had accumulated a deficit of \$22,984,725 (2021- \$13,808,774).

These 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 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 consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 2, 2023.

Basis of presentation

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

3. SIGNIFICANT ACCOUNTING POLICIES

Government grants

The Company recognizes government grants when it is reasonably assured that it will comply with the conditions attached to them and the grants will be received. Government grants include wage subsidies under the Canada Emergency Wage Subsidy ("CEWS") program and the benefit of the below-market interest rate and partial loan forgiveness from the Canada Emergency Business Account ("CEBA") loan. Government grants are presented separately in the consolidated statements of loss and comprehensive loss.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

The CEBA loan was initially measured at fair value based on the present value of future cash flows, discounted using a market rate of interest for similar loans. The loan is subsequently measured at amortized cost using the effective interest method. Interest on the CEBA loan is included in interest expense in the consolidated statements of loss and comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks, cash on hand, cash held in trust and cash held at a payment processor.

Inventory

Inventory consists primarily of finished goods and raw materials. Inventory is measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

Property and equipment

Furniture and fixtures, equipment and leasehold improvements are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on furniture and fixtures and equipment at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method.

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the consolidated statements of loss and comprehensive loss.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 10 years for facilities, equipment and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of loss and comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

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 *Revenue from Contracts with Customers* as a sale of the asset, the Company continues to recognize the transferred asset, recognize a financial liability equal to the transfer proceeds, and recognize a gain or loss when the title of the assets transferred. It accounts for the financial liability subsequently 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 consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the 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 consolidated statements of loss and comprehensive loss.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
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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 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 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 Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. 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 sum of the fair value assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the financial instruments as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

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 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
Lease liability	Amortized cost	N/A
Derivative warrant liability	FVTPL	Level 2
Loans	Amortized cost	N/A
Promissory note	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 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 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.

Loss per share

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

The calculation of loss per common share is based on the reported net loss divided by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the years ended December 31, 2022 and 2021, these convertible securities would be anti-dilutive.

Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized as the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

When the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

Fixed Equity Incentive Plan

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

Revenue recognition

The Company generates revenue from the sale of pizza and ancillary food products through its restaurant store front, wholesale arrangements for CPG, and online e-commerce sales for subscription boxes. The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component.

The Company follows IFRS 15, to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

For restaurant and wholesale CPG arrangements, revenue is recognized immediately upon providing the customer with the product.

Revenue from subscription orders are measured at the fair value of consideration received, net of refunds, sales incentives and credits. Revenue is recognized at a point in time, which is upon delivery of the subscription boxed goods, as it meets the criteria to satisfy the performance obligation. Unearned revenue is recorded when consideration has been received from a customer prior to delivery of the goods to the customer; revenues are recognized when the goods are delivered to the customer.

Discontinued operations

The Company deems it appropriate to classify a part of the business as discontinued operations if the related disposal group meets all of the following criteria: (i) the disposal group is a component of the Company; (ii) the component meets the held- for-sale criteria; and (iii) the disposal of the component represents a strategic shift that has a major effect on the Company's operations and financial results. A disposal group that represents a strategic shift to the Company is reflected as discontinued operations on the consolidated statements of loss and comprehensive loss and prior periods are recast to reflect the earnings or losses as income from discontinued operations.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

On April 13, 2023, the Company completed the sale of substantially all of the assets related to production, sale and distribution of frozen pizza (the “Frozen Pizza Business”). The sale of the Frozen Pizza Business was a strategic shift to the Company and allows the Company to refocus on its roots as a fast casual premium restaurant and move forward with a financially viable business model.

Certain prior year amounts have been reclassified for consistency with the current year presentation. Certain assets related to Frozen Pizza Business have been classified as current assets from discontinued operation and certain liabilities related to Frozen Pizza Business have been classified as current liabilities from discontinued operation for current year and prior year. Additionally, amounts previously presented as part of continuing operations have been reclassified into discontinued operations for all periods presented.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Segment reporting

The Company currently operates in a single operating segment: operating a pizza restaurant and a pizza manufacturing plant, where it also manufactures and distributes frozen pizza directly to consumers through the subscription offer as well as the sale of CPG directly to specialty grocery stores. All of the Company’s activities are conducted in Canada.

The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or “CODM”) in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

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.

Provision and contingencies

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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

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:

Furniture and fixtures	5 years
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.

Allowance for doubtful accounts

The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

Inventories

The Company estimates the net realizable values of inventories taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices.

Depreciation

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

The Company's property, plant and equipment and right-of-use assets are depreciated on a straight-line basis, taking into account the estimated useful lives of the assets and residual values and lease terms. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings (loss), and comprehensive income (loss) in future periods.

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.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2022, and 2021. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Recent Accounting Pronouncements

Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)", which provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendment clarified that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Only rights to defer settlement by at least twelve months, which are in place at the end of the reporting period, affect the classification of a liability. Classification is unaffected by an entities' expectation to exercise its right to defer settlement of a liability. The amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2023. The Company expects to apply the amendment to the classification of liabilities on January 1, 2023, and adopting this amendment is not expected to have a significant impact on the Company's financial statements.

Clarifying amendment to account for deferred tax on leases and decommissioning obligations

In May 2021, the IASB amended IAS 12 – *Income Taxes* to clarify that the initial recognition exemption does not apply to leases and decommissioning obligations. As a result, companies are required to recognize deferred tax on such transactions. The amendment is effective January 1, 2023, and earlier application is permitted. The Company expects to apply the amendment on January 1, 2023, and adopting this amendment is not expected to have a significant impact on the Company's financial statements.

4. DISCONTINUED OPERATIONS

On April 13, 2023, the Company completed the sale of substantially all of the assets related to the "Frozen Pizza Business". As consideration for assets, the Purchaser Piano Piano Inc. ("Piano Piano") has assumed senior indebtedness in the aggregate amount of \$2,090,894 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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

Debt \$2,998,017 (Note 12 & 23). As the debt and liabilities assumed by Piano Piano was higher than the transferred assets of \$1,492,868, there was no impairment recorded at December 31, 2022.

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

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

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.

	Years ended	
	December 31, 2022	December 31, 2021
Revenue	\$2,288,608	\$3,989,195
Expenses		
Procurement expense	1,882,212	2,377,718
Fulfillment expense	873,215	1,903,864
General and administrative expense	2,818,926	1,852,390
Sales and marketing expense	458,545	1,535,172
Total Expenses	6,032,898	7,669,144
Operating Loss	(3,744,290)	(3,679,949)
Other (income) expense:		
Finance expense	433,143	153,489
Foreign exchange	1,092	74
Gain on termination of leases	(139,702)	—
Loss on sale and leaseback	144,488	—
Loss on sale of assets	854,335	—
Total other expense	1,293,356	153,563
Loss before income taxes	(5,037,646)	(3,833,512)
Provision for income taxes	—	—
Net income (loss) and comprehensive income (loss) from discontinued operations	\$(5,037,646)	\$(3,833,512)

5. AMOUNTS RECEIVABLE

	As at December 31, 2022	As at December 31, 2021
Trade receivables	\$ 308,653	\$ 107,274
Sales tax receivable	69,622	681,966
Amounts receivable	\$ 378,275	\$ 789,240

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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 years ended December 31, 2022 and 2021.

6. INVENTORY

	<u>As at December 31,</u> <u>2022</u>	<u>As at December 31,</u> <u>2021</u>
Food and beverages	\$ 26,775	\$ 33,494
Packaging	592	2,453
Inventory	<u>\$ 27,367</u>	<u>\$ 35,947</u>

The cost of inventory recognized as an expense within procurement expense during the year ended December 31, 2022 was \$1,102,945 (December 31, 2021 – and \$1,159,464).

7. PREPAID EXPENSES AND DEPOSITS

	<u>As at December 31,</u> <u>2022</u>	<u>As at December 31,</u> <u>2021</u>
Prepaid expenses	\$ 64,255	\$ 157,083
Vendor deposits	199,230	288,413
Prepaid expenses and deposits	<u>\$ 263,485</u>	<u>\$ 445,496</u>
Current	45,804	151,563
Long-term	<u>217,681</u>	<u>293,933</u>

The long-term portion of prepaid expenses and deposits consists of \$112,904 of deposits to cover the security deposits for the Company's leases, \$8,451 of deposits related to ongoing operating costs, and \$96,325 related to the purchase of equipment.

8. RIGHT-OF-USE ASSETS

	Facilities	Equipment	Vehicles	Total
Balance as at December 31, 2020	\$ 1,019,564	\$ 108,941	\$ 128,364	\$ 1,256,869
Lease additions	3,724,521	—	102,115	3,826,636
Depreciation	(356,736)	(45,949)	(38,143)	(440,828)
Balance as at December 31, 2021	\$ 4,387,349	\$ 62,992	\$ 192,336	\$ 4,642,678
Lease additions	—	—	—	—
Lease termination	(2,799,242)	—	(89,140)	(2,888,382)
Depreciation	(535,884)	(45,949)	(44,408)	(626,241)
Balance as at December 31, 2022	<u>\$ 1,052,223</u>	<u>\$ 17,043</u>	<u>\$ 58,788</u>	<u>\$ 1,128,055</u>

The Company recorded depreciation for the facilities and restaurant equipment leases as an expense within procurement expense and general and administrative expense. During the year ended December 31, 2022, the Company recorded depreciation for the facilities and restaurant equipment leases as an expense within procurement expense and general and administrative expense which amounted to \$352,907 and \$432,453 (2021 – \$258,042 and \$144,643) respectively.

During the year ended December 31, 2022, the Company terminated three vehicle leases. On termination, right-of-use assets with a carrying value of \$102,797 and lease liabilities amounting to \$89,548 were derecognized, resulting in a loss on termination of leases recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022 totaling \$13,249.

In addition, the Company terminated the existing manufacturing facility lease ("Marycroft"). On termination, right-of-use assets with a carrying value of \$2,799,242 and lease liabilities amounting to \$2,938,944 were derecognized, resulting in a gain on termination of leases recognized in the interim consolidated statement of loss and comprehensive loss for the year ended December 31, 2022 totaling \$139,702.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

The Company also entered into a new manufacturing facility lease with a Good Manufacturing Practices (“GMP”) audit ready facility (“Pacific Circle”). A right-of-use asset and liability in the amount of \$821,396 was recognized on initial setup.

9. PROPERTY AND EQUIPMENT

COST	Leasehold improvements	Furniture and Fixtures	Equipment	Total
Balance as at December 31, 2020	\$ 910,541	\$ 67,599	\$ 64,185	\$ 1,042,325
Additions	1,295,801	437,397	1,342,076	3,075,274
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

ACCUMULATED DEPRECIATION

Balance as at December 31, 2020	\$ 283,749	\$ 41,686	\$ 10,479	\$ 335,914
Depreciation	130,346	49,244	66,168	245,758
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
At December 31, 2021	\$ 1,792,247	\$ 414,066	\$ 1,329,614	\$ 3,535,927
At December 31, 2022	\$ 786,200	\$ 242,542	\$ 154,152	\$ 1,182,894

The Company recorded depreciation for leasehold improvements and equipment of the manufacturing facility, restaurant, and the office space as an expense within procurement expense during the year ended December 31, 2022, which amounted \$506,943 (2021 - \$169,479) related to manufacturing, restaurant and office space from leasehold improvements and furniture and fixtures as an expense within general and administrative expense during the year ended December 31, 2022, which amounted to \$196,973 (2021 – \$88,403) respectively.

During the year ended December 31, 2022, the Company wrote off leasehold improvements related to the Marycroft manufacturing facility with a net book value of \$1,312,806, resulting in a loss on write down in the same amount.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2022	As at December 31, 2021
Trade accounts payable	\$ 1,844,254	\$ 1,205,538
Capital expenditures payable	110,844	472,503
Accrued liabilities	997,964	902,201
Accounts payable and accrued liabilities	\$ 2,953,062	\$ 2,580,242

Trade payables are comprised of payables related to raw materials, supplies, fulfillment expenses and amounts owing for professional service fees for legal, accounting and go public costs.

11. LEASE LIABILITY

The Company’s leases consist of a manufacturing facility, restaurant and office space equipment, and vehicles. The Company has recognized right-of-use assets in respect of these leases (note 8).

The Company has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at rates ranging from 4.4% to 12%. Interest on lease liabilities is included in interest expense in the consolidated statements of loss and comprehensive loss. The carrying amount of the Company’s lease liabilities is summarized in the table below.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	<u>Facilities</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Balance as at December 31, 2020	\$ 1,323,327	\$ 61,768	\$ 115,837	\$ 1,500,932
Lease additions	3,724,521	—	118,423	3,842,944
Interest expense	247,685	2,234	5,861	255,780
Lease payments	(558,261)	(54,035)	(70,543)	(682,839)
Balance as at December 31, 2021	\$ 4,737,272	\$ 9,967	\$ 169,578	\$ 4,916,817
Lease additions	—	—	—	—
Lease termination	(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
Current portion	323,716	2,227	14,323	340,266
Long-term portion	1,108,523	-	39,941	1,148,464

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 December 31, 2022:

	<u>Within one year</u>	<u>Later than one year but not later than 5 years</u>	<u>More than 5 years</u>
Facility	\$ 337,755	\$ 1,385,114	\$ —
Equipment	2,262	—	—
Vehicles	16,350	42,237	—
Total	\$ 356,367	\$ 1,427,351	\$ —
	20%	80%	0%

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

12. LOANS

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

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6	Discontinued operation	Total
Balance, December 31, 2020	\$87,500	32,019	—	—	—	—	—	119,519
Addition	—	—	2,000,000	1,000,000	—	—	(1,760,281)	1,239,719
Repayment	(87,500)	—	—	—	—	—	—	(87,500)
Reclassified to equity	—	—	(251,869)	(125,934)	—	—	—	(377,803)
Accrued interest	—	—	46,344	—	—	—	—	46,344
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
Current								2,408,803
Long term								1,126,568

Loan 1

The Company entered into Loan 1 with the Business Development Bank of Canada ("BDC") in November of 2017 for gross proceeds of \$150,000. The loan has been fully repaid before December 31, 2021. There was no interest recorded or paid during the year ended December 31, 2022 and 2021.

Loan 2

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

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

The loan 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.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

Loan 3 (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 year ended December 31, 2022, the Company recorded \$240,000 (2021 - \$46,344) of interest expense and \$93,699 (2021 - \$nil) of accretion expense, and \$nil (2021 - \$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 4 (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 year ended December 31, 2022, the Company recorded \$120,000 (2021 - \$nil) of interest expense and \$43,851 (2021 - \$nil) of accretion expense, and \$nil (2021 - \$nil) was paid.

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.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

Loan 5 (Sale and Leasebacks)

On January 21, 2022, the Company entered into two sale and leaseback arrangements in respect of certain equipment with an original cost of \$766,944 previously purchased by the Company. 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 year ended December 31, 2022, the Company recorded \$50,436 (2021 - \$nil) of interest expense, and made payments of \$270,826 (2021 - \$nil).

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 6

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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 year ended December 31, 2022, the Company recorded \$140,323 (2021 - \$nil) of interest expense and \$133,333 of accretion expense (2021 - \$nil), and \$nil (2021 - \$nil) was paid.

13. PROMISSORY NOTE

On March 17, 2022, the Company closed \$1,750,000 (the "Principal") in debt financing pursuant to the terms and conditions of a promissory note (the "2022 Promissory Note") 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 year ended December 31, 2022, the Company recorded \$258,125 (2021 - \$nil) of interest expense and made payments of \$nil (2021 - \$nil).

14. DERIVATIVE WARRANT LIABILITY

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

	November 17, 2020 Warrants	
	# of warrants	\$
Balance as at January 1, 2021	4,526,118	693,491
Fair value change on derivative warrant liability	—	461,769
Balance December 31, 2021	4,526,118	\$ 1,155,260
Fair value change on derivative warrant liability		(1,060,116)
Warrants exercised	(1,750,000)	(78,588)
Warrants expired	(2,776,118)	(16,556)
Balance December 31, 2022	-	\$ —

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.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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

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

Series 3 Derivative Warrant Liability

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

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

	December 31, 2022	December 31, 2020
Expected volatility	100%	100%
Expected life	0.13	0.9 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	2.17%	0.91%
Dividend yield	0%	0%
Share Price	\$ 0.65	\$ 0.60
Weighted average fair value per Series 3 Warrant	\$ 0.50	\$ 0.46

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 (Note 16). 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.

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

15. INCOME TAX

Income tax expense differs from the amount that would be computed by applying Canadian statutory income tax rate of 26.5% to income before taxes. The reasons for the differences are as follows:

	Year ended December 31,	
	2022	2021
Loss before taxes	\$ (9,175,951)	\$ (10,598,331)
Statutory tax rate	26.5%	26.5%
Expected tax benefit resulting from loss	(2,431,627)	(2,808,557)
Tax rate changes and other adjustments	2,531	(43,710)
Share based compensation and non-deductible expenses	36,931	180,817
Other non-deductible expenses	229,186	—
Share issuance costs booked through equity	—	(582,108)
Fair value change on derivative warrant liability	(285,318)	—
Change in tax benefits not recognized	2,448,297	3,253,558
Income tax expense (recovery)	\$ —	\$ —

The following table summarizes the components of deferred tax:

	As at December 31,	
	2022	2021
Deferred tax assets		
Property and equipment	\$ 9685	\$ 7,415
Lease liability	613,553	1,246,522
Non-capital losses	5,672,416	3,051,065
Deferred tax liabilities		
Loans	(63,667)	(100,118)
Government loan	—	(7,415)
ROU Asset	(516,260)	(1,247,730)
Net deferred tax asset	\$ 5,715,727	\$ 2,949,739

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31,	
	2022	2021
Non-capital loss carryforward	\$ 21,405,344	\$ 11,513,452
Provisions	138,016	138,016
Property, plant and equipment	1,262,107	36,546
Unamortized share issuance cost	1,591,018	2,219,115
Other deductible temporary differences	1,075,826	1,421,073
Total	\$ 25,472,311	\$ 15,328,202

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issuance costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2036	43,518
2037	214,486
2038	204,051
2039	340,083
2040	791,448
2041	10,046,111
2042	9,891,892
	<u><u>\$21,531,589</u></u>

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 transaction impacting share capital:

Warrant Exercise

On June 3, 2022, 400,000 Series 3 warrants were exercised for a total of 400,000 common shares and 750,000 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 for amount of \$400,000 (Note 12).

During the year ended December 31 and 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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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
Beginning balance at January 1, 2022	14,712,415	\$ 0.98	\$ 3,386,358	\$ 1,075,300
Promissory Note Warrants issued	3,504,077	1.07	377,803	(377,803)
Warrants exercised	(1,750,000)	0.15		
Warrants expired	(2,776,118)	0.67		
Restricted Stock units				19,200
Stock-based compensation	—	—	—	120,162
Balance at December 31, 2022	13,690,374	\$ 1.32	\$ 3,764,161	\$ 836,859

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	Number of warrants	Weighted average exercise price \$	Warrants	Contributed surplus
Beginning balance, January 1, 2021	6,787,172	\$ 0.54	\$ 626,590	\$ 15,168
Issuance of units in connection with the Series A Financing, net of issuance costs	1,124,962	0.72	116,488	—
Series A advisory warrants	401,678	0.48	80,956	—
Advisory warrants	2,700,000	0.20	668,383	—
Issuance of units in February 2021 in connection with the Going Public Financing, net of issuance costs	2,893,789	2.60	1,333,643	—
Issuance of units in connection with the conversion of debt	218,615	2.60	121,106	—
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
Ending balance, December 31, 2021	14,712,415	\$ 0.98	\$ 3,386,358	\$1,075,300

The following provides a summary of warrants outstanding as at December 31, 2022:

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	8.68
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	2.6

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

On February 2, 2021, the Company issued 2,893,789 warrants in connection with the Going Public Financing (note 16) and issued an

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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:

	<u>February 2, 2021</u>
Expected volatility	100%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	0.16%
Dividend yield	0%
Weighted average share price	\$ 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:

	<u>February 2, 2021</u>
Expected volatility	109%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	0.16%
Dividend yield	0%
Weighted average share price	\$ 1.73
Weighted average fair value of warrants at grant date	\$ 0.97

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

On January 28, 2021, the Company issued 1,124,962 warrants, convertible to one Class A common share per warrant at a price of \$0.72 per warrant in connection with the issuance of Series A Units (note 16). The fair value of warrants issued was determined \$116,488, estimated using the Black-Scholes option pricing model with the following assumptions:

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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:

	<u>January 28, 2021</u>
Expected volatility	109%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	0.16%
Dividend yield	0%
Weighted average share price	\$ 0.48
Weighted average fair value of warrants at grant date	\$ 0.27

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

On January 13, 2021, the Company issued advisory warrants exercisable for a period of ten (10) years following the occurrence of a Liquidity Event, to purchase up to 2,700,000 Class A common shares at an exercise price of \$0.20 per Class A common share (note 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:

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

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

Stock options

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

The following table summarizes the continuity of the stock options during the year ended December 31, 2022:

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	Number of options	Weighted average exercise price \$
Balance at January 1, 2021	800,000	\$ 0.67
Granted	1,651,250	0.90
Forfeited and cancelled	(236,000)	0.81
Balance at December 31, 2021	2,215,250	\$ 0.83
Granted	—	
Forfeited and cancelled	(724,784)	1.02
Balance at December 31, 2022	1,490,466	\$ 0.94

The following table provides additional information about the Company's stock options as at December 31, 2022:

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	Year ended December 31, 2020
Expected volatility	100%	100%
Average expected life	6.1 years	6.1 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	0.42% to 1.44%	0.43% to 0.48%
Dividend yield	0%	0%
Share price	\$0.36 to \$1.45	\$ 0.42
Weighted average fair value of options at grant date	\$ 0.77	\$ 0.31

The Company recorded stock-based compensation expense for options of \$120,162 (December 31, 2021 - \$45,427) with an offsetting increase to contributed surplus in respect of the vesting and forfeiture of stock options during the year ended December 31, 2022. The weighted average remaining life of the options is 8.90 years (December 31, 2021 – 9.15 years).

Fixed Equity Incentive Plan

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

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

approval. Under the FEI Plan, units generally vest over a period of one year.

During the year ended December 31, 2002, the Company recorded compensation expense related to the FEI plan of \$19,2000 (2021 - \$nil).

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 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	—
Loan payable	2,408,803	1,126,568	—
Promissory note	573,125	2,526,125	—
Total	\$ 6,275,254	\$ 4,801,157	\$ —

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

Credit risk

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

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

Since its incorporation, the Company has not incurred any significant credit loss in respect of its amounts receivable and amounts due from related parties. Based on consideration of all possible default events over the assets' contractual lifetime, the expected credit loss in respect of the Company's amounts receivable and amounts due from related parties was insignificant at 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.

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 December 31, 2022 (December 31, 2021 - \$10,805).

Commodity price risk

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

19. REVENUE

	For the years ended December 31,	
	2022	2021
Restaurant	1,790,333	648,142

20. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the *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:

	For the years ended December 31,	
	2022	2021
Procurement expense		
Cost of inventory	427,446	186,872
Labour	272,940	151,739
Depreciation	411,041	43,858
Total	\$ 1,111,427	\$ 382,4691

	For the years ended December 31,	
	2022	2021
Fulfillment expense		
Delivery and processing fees	203,158	64,118
Labour	219,590	44,889
Packaging supplies	41,433	14,690
Depreciation	-	6,545
Total	\$ 464,181	\$ 130,242

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

	For the years ended December 31,	
	2022	2021
General and administrative expense		
Employee Compensation	1,942,178	2,470,858
Occupancy Costs	237,966	184,808
Office & Administrative	389,589	207,935
Restaurant supplies	43,889	87,150
Technology Fees	110,681	121,653
Experience	205	855
Consulting	136,020	986,303
Professional fees	699,895	1,344,600
Board fees	244,200	287,500
Depreciation	465,998	135,053
Travel	199	7,353
Donation	2,000	-
Total	\$ 4,272,820	\$ 5,834,070

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 year ended December 31, 2022 and 2021, the Company received \$nil benefits from government programs.

22. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management compensation

The key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including 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:

	For the years ended December 31,	
	2022	2021
Salaries and director remuneration	\$ 1,093,801	\$ 1,102,834
Stock-based compensation expense - directors and officers	217,947	525,141
Total	\$ 1,311,748	\$ 1,627,975

During the year ended December 31, 2022, the Company issued \$2,000,000 (2021 - \$3,000,000) in promissory notes to certain

GENERAL ASSEMBLY HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

shareholders and key management personnel (Note 12).

23. SUBSEQUENT EVENTS

On April 13, 2023, the Company completed the sale of substantially all of the assets related to production, sale and distribution of frozen pizza (the “Frozen Pizza Business”). The Company completed the sale of its Frozen Pizza Business to Piano Piano Inc. (“Piano Piano”), a private Italian food restaurant and frozen pizza brand based in Toronto, pursuant to a definitive transaction agreement (the “Agreement”) entered into on the date hereof between GA CPG Limited, a wholly owned subsidiary of the Company (the “Vendor”), and Pizapie Inc., a wholly owned subsidiary of Piano Piano (the “Purchaser”). 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 \$2,090,893 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 \$2,998,017 (Note 4 & Note 12).

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.

2499754 Ontario Limited (“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.