

Aegis Brands Reports Second Quarter Results

Transformation of Aegis into a consolidator in the food and beverage space continues

Toronto, ON, August 10th, 2021 -- Today, Aegis Brands Inc. (TSX: AEG) has reported financial results for the second quarter ended June 26th, 2021.

Highlights

- Aegis entered into a strategic transaction to sell Hemisphere Cannabis Co. (“Hemisphere”)
- The sale of Second Cup closed on April 23rd, 2021
- Aegis’ Net Loss from continuing operations for the quarter was \$1,191,000, or \$0.05 per share compared to \$1,207,000, or the same loss per share in the second quarter of last year
- Bridgehead’s Net Loss for the quarter was \$23,000 compared to \$494,000 in the second quarter of last year

Bridgehead

Sales at Bridgehead coffeehouses were hampered by the third wave of COVID-19 during the second quarter, with Same Store Sales (SSS) at -49.3% of 2019 results. However, revenues were bolstered by Bridgehead’s e-commerce and wholesale business that has emerged through the pandemic. The brand continues to improve the bottom line with a Net Loss of \$5,000 year to date compared to \$1,000,000 by the same time last year.

The leadership team at Bridgehead continues to innovate, reposition and expand as they focus on the growth of three key distribution channels: coffeehouses, online and wholesale. This includes the opening of a new location at Carleton University (August 2021). Management is focused on growing Bridgehead’s asset light e-commerce and wholesale business segments, as they have the potential to contribute as much or more profitability than the “brick and mortar” locations. Year to date the e-commerce and wholesale channels represent ~22% of the sales and produced 37% of Bridgehead’s EBITDA while requiring relatively little capital.

Hemisphere

Held for Sale and Discontinued Operations

On July 12, 2021, Aegis entered into a strategic transaction with Kiaro Holdings Corp. (“Kiaro”), a TSX-V-listed cannabis retailer and wholesale distributor, agreeing to sell Hemisphere in consideration for a substantial equity stake in Kiaro. In consideration for 100% of Hemisphere’s common shares, Kiaro will issue 61,300,000 common shares to Aegis, plus 6,700,000 common share purchase warrants. Kiaro will issue an additional 6,700,000 shares to Aegis upon the achievement of certain commercial milestones during the first year following closing.

Aegis Brands Inc.

With the sale of Second Cup and the pending sale of Hemisphere, the transformation of Aegis is well underway. As North America starts to return to pre-pandemic activities, Aegis is eager to expand its presence in the food and beverage sector through acquisitions and partnerships with great brands across North America.

Consumers are enthusiastically returning to all types of food service locations following a period of unmatched household savings, and with fewer options to choose. An estimated 10% of restaurants in Canada have closed during the COVID-19 pandemic. This series of conditions has created a very profitable environment for the great operators in the space and highlights the opportunity for Aegis to consolidate great restaurant companies and the entrepreneurs behind them.

Additionally, subject to the receipt of certain third-party consents and other customary closing conditions, the sale of Hemisphere to Kiaro is expected to close in the fall, enabling Aegis to increase its focus on the growth of its Bridgehead Coffee brand and execute its acquisition strategy. Upon completion of the transaction, it is anticipated that Aegis will hold approximately 25% of Kiaro's common shares and will be Kiaro's largest shareholder. Aegis' CEO Steven Pelton intends to join the Kiaro board of directors at closing. "We know the team at Kiaro will use their cannabis industry expertise to successfully grow the business organically and through acquisitions in a highly competitive market," said Steven Pelton, President and CEO of Aegis Brands. "This transaction with Kiaro allows us to focus our people and our resources on Aegis' objectives in the food service space. Meanwhile, we expect Kiaro to continue to use its resources to gain the scale required to achieve its objectives in retail cannabis."

Aegis continues to build an experienced leadership team that has created and grown some of the best hospitality brands in Canada. As previously announced, Melinda Lee will be stepping in as Chief Financial Officer on August 13th. Lee brings over 20 years of senior level experience in financial management of public companies in various industries, including hospitality. "With the sale of Second Cup and pending sale of Hemisphere, we are now fully focused on partnering with great hospitality brands, with great leadership, that we can help grow in the food and beverage space" added Pelton.

NON-IFRS MEASURES

Aegis measures the success of its business in part by employing several key performance indicators referenced herein that are not recognized under IFRS, including same store sales and EBITDA. These indicators should not be considered an alternative to IFRS financial measures, such as net income, and are presented in this presentation because management of Aegis believes that such measures are relevant in interpreting the performance of its business. As non-IFRS financial measures do not have standardized definitions prescribed by IFRS, they are less likely to be comparable with other issuers or peer companies. A description of the non-IFRS measures used by Aegis in measuring its performance and a reconciliation of certain non-IFRS

measures to the nearest IFRS measure is included in Aegis' management's discussion and analysis for the second quarter ended June 26, 2021 available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements within the meaning of Canadian securities laws. These forward-looking statements contain statements of intent, belief or current expectations of Aegis. Forward-looking information is often, but not always identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook.

The forward-looking statements included in this press release, including statements regarding the pending sale of Hemisphere, the nature of Aegis' growth strategy going forward and Aegis' execution on any of its potential plans (including with respect to the growth and development of Bridgehead Coffee and identification of future acquisition targets), are not guarantees of future results and involve risks and uncertainties that may cause actual results to differ materially from the potential results discussed in the forward-looking statements.

Risks and uncertainties that may cause such differences include but are not limited to: risks that the sale of Hemisphere may not be completed or that the earn-out component of the purchase price may never be realized; risks that the sale of Hemisphere may have a negative impact on the market price and liquidity of Aegis' common shares; risks related to the company's strategy going forward; risks related to the COVID-19 pandemic; and other risks inherent in the industry in which Aegis operates. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Additional information on these and other factors that could affect Aegis' operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

In respect of the forward-looking statements and information included in this press release, Aegis has provided such in reliance on certain assumptions that it believes are reasonable at this time, including the ability of the company to manage the risks (economic, operational, financial, and other risks) associated with the COVID-19 pandemic, the ability of the company to identify new acquisition opportunities and to successfully integrate past and future acquisition targets into the company's business, and the company's ability to generally execute on its strategy going forward.

The forward-looking statements in this press release are made as of the date it was issued and Aegis does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

About Aegis Brands Inc.

Aegis Brands Inc. currently owns and operates Bridgehead Coffee and Hemisphere Cannabis Co. The company's vision is to build a portfolio of amazing brands that can grow and flourish with access to our resources and expertise. The company is committed to letting each brand operate independently while providing shared expertise to help them thrive.

For more information, please visit aegisbrands.ca.

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