



Aegis Brands Inc.

Management's Discussion and Analysis
**For the 13 weeks and 39 weeks ended September 25, 2022 and
September 25, 2021**

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis ("MD&A") may constitute forward-looking statements within the meaning of applicable securities legislation. The terms the "Company", "we", "us", "our", "Aegis" or "Aegis Brands" refer to Aegis Brands Inc. Forward-looking statements often include words such as "may", "will", "should", "expect", "anticipate", "believe", "plan", "intend" and other similar words. These statements reflect current expectations regarding future events and financial performance and speak only as of the date of this MD&A. The MD&A should not be read as a guarantee of future performance or results and will not necessarily be an accurate indication of whether or not those results will be achieved. These forward-looking statements include, but are not limited to, statements related to (i) the Company's growth through strategic acquisitions in the foodservice industry, and (ii) the seasonal trends in the Company's future income.

Forward-looking statements are based on a number of assumptions and are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control that may cause the Company's actual results, performance or achievements, or those of the Company's coffeehouses, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following are some of the factors that could cause actual results to differ materially from those expressed in the underlying forward-looking statements: competition; availability of premium quality coffee beans; the location of the Company's coffeehouses; the closure of coffeehouses; loss of key personnel; compliance with government regulations; potential litigation; the ability to exploit and protect the Company's trademarks; changing consumer preferences and discretionary spending patterns including, but not restricted to, the impact of weather and economic conditions on such patterns and the impact of the ongoing COVID-19 pandemic on consumer buying and spending trends and on the business environment; and the financial performance and financial condition of the Company. The foregoing list of factors is not exhaustive, and investors should refer to the risks described under "Risks and Uncertainties" below and in the Company's annual information form dated March 28, 2022, which is available at www.sedar.com.

Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements and, as a result, the forward-looking statements may prove to be incorrect.

As these forward-looking statements are made as of the date of this MD&A, the Company does not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in the Company's filings with securities regulators. These filings are also available on the Company's website at www.aegisbrands.ca.

INTRODUCTION

This MD&A has been prepared as of November 4, 2022 and is intended to assist in understanding the financial performance and financial condition of Aegis Brands for the 13 weeks (the "Quarter") and 39 weeks (the "Period") ended September 25, 2022, should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements of the Company for the 13 weeks and 39 weeks ended September 25, 2022 and September 25, 2021 and the Audited Consolidated Financial Statements of the Company for the 52 weeks ended December 26, 2021, and the Annual Information Form, which are available at www.sedar.com. Past performance may not be indicative of future performance. All amounts are presented in thousands of Canadian dollars, except number of coffeehouses, per share amounts or unless otherwise indicated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company also reports certain non-IFRS measures such as system sales of coffeehouses, same coffeehouse sales, operating income (loss), EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share that are discussed in the "Definitions and Discussion of Certain non-IFRS Financial Measures" in this MD&A.

TABLE OF CONTENTS

CAUTION REGARDING FORWARD-LOOKING STATEMENTS	2
INTRODUCTION.....	2
CORE BUSINESS, STRATEGIC IMPERATIVES, AND KEY PERFORMANCE DRIVERS	4
HIGHLIGHTS OF SIGNIFICANT EVENTS.....	6
CAPABILITIES	7
SEGMENTED INFORMATION AND REPORTING	8
SELECTED ANNUAL INFORMATION.....	9
SUMMARY OF QUARTERLY RESULTS	10
CONSOLIDATED HIGHLIGHTS: CONTINUING OPERATIONS OF BRIDGEHEAD	11
AND AEGIS CORPORATE	11
OPERATIONAL REVIEW	12
LIQUIDITY AND CAPITAL RESOURCES	17
EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES	21
CRITICAL ACCOUNTING ESTIMATES	22
CHANGES IN ACCOUNTING POLICIES	24
RISKS AND UNCERTAINTIES.....	24
DEFINITIONS AND DISCUSSION ON CERTAIN NON-GAAP FINANCIAL MEASURES	26

Aegis Brands Inc.

Management's Discussion and Analysis

CORE BUSINESS, STRATEGIC IMPERATIVES, AND KEY PERFORMANCE DRIVERS

Core Business

Aegis Brands currently owns and operates the Bridgehead Coffee brand. Bridgehead Coffee is operated by the Company's wholly-owned subsidiary Bridgehead (2000) Inc. "Bridgehead". The Company owns the trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operation of this brand in Canada.

Aegis Brands Inc. is a Canadian public company incorporated under the Business Corporations Act (Ontario) in 2011. The Company relocated to a new registered office in September 2021 located at 210 Shields Court, Markham, Ontario, L3R 8V2. The Company's website is www.aegisbrands.ca. The Company's common shares trade under the name and the Toronto Stock Exchange under the ticker symbol "AEG".

The Company's fiscal year is made up of 52 weeks or 53 weeks ending on the last Sunday of December. The Company changed its fiscal year end in 2021 from the last Saturday in December, to align with the fiscal year end of Bridgehead and other peers in the industry. Fiscal year 2022 consists of 52 weeks.

Operating Brands

As of September 25, 2022, the Company owned and operated one retail operating brand. Bridgehead has 21 Company-owned coffeehouses including its flagship roastery, all of which continue to operate under the Bridgehead brand.

Strategic Imperatives and Key Performance Drivers

Aegis Brands was created with the vision of building a portfolio of brands that can grow and flourish by leveraging expertise developed over 40 years in the Canadian retail and foodservice industry. Aegis will continue to focus on its key strategies which include: the growth and expansion of its retail operating brands through retail and ancillary channels and the pursuit of strategic acquisitions in retail and foodservice.

On February 7, 2021, the Company entered into a definitive agreement to sell all or substantially all of the assets comprising the Second Cup brand ("Second Cup") to an affiliate of Quebec-based Foodtastic Inc. ("Foodtastic"). The sale price was \$14,000,000 in cash received on closing (subject to customary closing adjustments) plus a post-closing earn-out based on royalties earned from certain Second Cup coffeehouses opened following completion of the sale. On April 26, 2021 the Company announced that it had completed the sale of the Second Cup assets.

On July 12, 2021, the Company entered into a strategic transaction with Kiaro Holdings Corp. ("Kiaro"), a TSX-V-listed cannabis retailer and wholesale distributor, pursuant to which it has agreed to sell its subsidiary 2734524 Ontario Inc. ("Hemisphere") in exchange for an equity stake in Kiaro. On September 24, 2021, the Company announced that it had completed the transaction with Kiaro. In consideration for 100% of Hemisphere's common shares, Kiaro issued 61,300,000 common shares to Aegis, having an aggregate value of approximately \$6,130,000 and representing approximately 25% of the issued and outstanding Kiaro common shares on the date of issue. The Company was also issued 6,700,000 Kiaro common share purchase warrants with an exercise price of \$0.16 and an expiry of September 24, 2024 on closing. Kiaro issued an additional 4,790,000 shares to Aegis, net of professional fees settled with 1,910,000 Kiaro shares, upon the achievement of certain commercial milestones during Q4 2021.

In accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the Company has presented the after-tax loss from these groups as discontinued operations in a single amount in the condensed interim consolidated statement of operations and comprehensive loss.

On September 29, 2022, the Company entered into a definitive agreement (the "Definitive Agreement") to acquire St. Louis Bar & Grill® ("St. Louis") for total consideration of \$50,000,000 (the "Purchase Price"), subject to certain closing adjustments (the "Transaction"). The Purchase Price will be satisfied entirely with cash.

Aegis Brands Inc.

Management's Discussion and Analysis

Pursuant to the Transaction, Aegis will acquire, indirectly, substantially all of the assets and intellectual property of "St. Louis Bar & Grill"® brand and trademark.

The Purchase Price and the related transaction expenses will be funded through a draw of \$30,000,000 under the Company's existing Senior Facility with CWB and the balance will be financed through a private placement of Debenture Subscription Receipts and Common Share Subscription Receipts. The private placement was closed on September 29, 2022 for gross proceeds of \$28,400,000, representing \$3,400,000 of Common Share Subscription Receipts and \$25,000,000 Debenture Subscription Receipts.

The Senior Facility has a term of 59 months and is secured by first ranking security interest on all assets and subsidiaries of Aegis. The Senior Facility will bear an interest rate of prime plus an applicable margin of 2.75% and will amortize over a ten year period.

The Offering consisted of: (i) up to \$3,000,000 or 9,259,259 common share subscription receipts (each a "Common Share Subscription Receipt") at a price of \$0.324 per Common Share Subscription Receipt and (ii) up to \$22,000,000 in principal amount of (or 22,000) convertible debenture subscription receipts (each a "Debenture Subscription Receipt") at a price of \$1,000 per Debenture Subscription Receipt, for total gross proceeds of a total of \$25,000,000, subject to a 15% allotment granted to the Agents on each of the Common Share Subscription Receipt and Debenture Subscription Receipt private placements (the "Over-Allotment Option"), for total maximum aggregate proceeds of \$28,800,000.

Each Common Share Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction of certain conditions, including the completion of the Transaction, and without payment of additional consideration or further action, one common share in the capital of the Company (each a "Common Share").

Each Debenture Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction of certain conditions, one \$1,000 principal amount, unsecured convertible debenture (the "Convertible Debentures"). The Convertible Debentures shall bear interest of 11.0% per annum and shall have a maturity date of sixty (60) months from the closing of the Offering (the "Maturity Date"). The Convertible Debentures will be convertible at the holder's option into Common Shares at any time prior to the close of business on the Maturity Date at a conversion price of \$0.485.

The Common Shares, Convertible Debentures, and the Common Shares issued upon conversion of the Convertible Debentures will be subject to a statutory hold for a period of four months and one day from the closing date of the Offering.

The Company has received conditional approval to list the Common Shares, Convertible Debentures, and the Common Shares issuable upon conversion of the Convertible Debentures, on the Toronto Stock Exchange ("TSX").

Upon completion of the Transaction, the Company expects to have approximately 33,600,000 Common Shares outstanding.

Certain directors, officers and holders of more than 10.0% of the issued and outstanding Common Shares of Aegis ("Insiders") together with certain associates and affiliates of Insiders have acquired an aggregate of \$2,400,000 of Common Shares Subscription Receipts and Debenture Subscription Receipts under the Offering, representing approximately 9.6% of the Common Shares (assuming full exercise of the Over-allotment Option) to be issued under the Offering and 8.2% (assuming full exercise of the Over-allotment Option) of the Convertible Debentures to be issued under the Offering.

Aegis Brands Inc.

Management's Discussion and Analysis

HIGHLIGHTS OF SIGNIFICANT EVENTS

Statement on COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, ("COVID-19"), a global pandemic. Since then, the outbreak has spread on a global scale, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The case count continues to be a cause of concern, along with the additional questions and uncertainty as a result of the emergence of the COVID-19 variants. Due to these reasons, government and business enforced restrictions continue to be in effect to varying degrees across parts of Canada.

Since the declaration of the pandemic, a majority of the Bridgehead coffeehouse locations have been negatively impacted by the decline in consumer foot traffic - especially notable in downtown Ottawa, the scaled down nature of in-store operations due to closure of dining space for periods of time, and the general shift in consumer spending patterns in the retail industry. As of September 25, 2022, and as of November 4, 2022, 1 out of 21 coffeehouses was temporarily suspended for business operations.

The temporary store closures and restricted store operations as a result of the circumstances described above, continue to significantly reduce sales and impact the Company's cash flows. The decrease in sales and accumulating losses is considered an indicator of impairment by the Company. As the negative impacts outlined above are considered an indicator of impairment by management, at year end, the Company performed an assessment of the recoverability of its assets, including its trademarks, right-of-use assets, property and equipment. Following this assessment at year end, the Company recognized an impairment charge against its assets. The Company did not record any additional impairment for the 39-week period ended September 25, 2022.

In an effort to mitigate the risks associated with the pandemic and in response to the reduction of sales, the Company actively reduced its operating costs by halting discretionary capital expenditures and significantly lowering its staff compensation costs. The Company continued to evaluate all available, applicable government relief programs, including the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") program, which are financial relief measures initiated by the Government of Canada in response to the economic impacts of the COVID-19 pandemic. The Company determined that it was eligible to qualify for the above relief financial programs throughout 2020, 2021 and 2022. In the 39-week period ended September 25, 2022, the Company received \$1,271,973 of wage and rent subsidies through these and additional programs.

Discontinued Operations

As discussed above in "Strategic Imperatives and Key Performance Drivers", in 2021 the Company entered into a definitive agreement to sell all or substantially all of the assets comprising Second Cup to an affiliate of Quebec-based Foodtastic Inc. and entered into a strategic transaction with Kiaro, a TSX-V-listed cannabis retailer and wholesale distributor, pursuant to which it agreed to sell its Hemisphere subsidiary and operations in consideration for an equity stake in Kiaro.

In accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Company has presented the after-tax loss from these discontinued operations as a single amount in the comparative condensed interim consolidated statement of operations and comprehensive loss. The Company has further disclosed details of the discontinued operations in note 4 to the Audited Consolidated Financial Statements for the 52 weeks ended December 26, 2021.

Aegis Brands Inc.

Management's Discussion and Analysis

CAPABILITIES

This section documents factors that affect the Company's capabilities to execute strategies, manage key performance drivers and deliver results. This section is qualified by the section "Caution Regarding Forward-Looking Statements" at the beginning of this MD&A.

The Bridgehead Brand

The brand - Bridgehead® – reflects a commitment to deliver original and premium Fairtrade coffee brands, with 100% of its coffee certified Fairtrade and made from organic certified green coffee. A proud Canadian company, Bridgehead has 21 company-owned coffeehouses in Ottawa, including its flagship roastery, all of which continue to operate under the Bridgehead name.

Bridgehead believes in the power of the local and global community. It sources and supports small-scale, sustainable farmers building inclusive communities through their coffees. It is dedicated to creating exceptional coffee, while consciously connecting people and minimizing the impact to the planet. Founded over 20 years ago, the Bridgehead team is dedicated to their craft and is committed to doing so in a socially responsible way. They conscientiously select the best ingredients for their products: their coffee is sustainably grown, and they maintain Fairtrade certification as a founding principle of their business.

There is a total of 240 Bridgehead team members including baristas, wholesale and facilities staff, coffeehouse managers, and corporate personnel employed at the Company's home office.

All Bridgehead coffeehouses serve their premium coffee, baked goods and fresh foods made daily, using local and seasonal ingredients. Bridgehead products are also available for purchase online through their website as well as at an increasing number of grocery retailers throughout Ontario.

Liquidity, capital resources and management of capital

The Company continues to proactively manage its cash flow position and liquidity requirements in the face of various uncertainties. In December 2020, the Company entered into a loan agreement with CWB Franchise Finance ("CWB"), a division of the Canadian Western Bank Financial Group, pursuant to which a revolving credit facility of \$4,000,000 (the "Credit Facility") was made available to the Company at the financing rate of prime + 3.20%, secured by the assets of the Second Cup and Bridgehead. In connection with the sale of Second Cup in Q2 2021 and the associated decrease in security, the Credit Facility was reduced to \$2,000,000. The Credit Facility will be available for a period of 24 months until its maturity on December 7, 2022. The Company has begun the renewal process with CWB and expects to renew the Credit Facility on same or similar terms prior to maturity.

In December 2021, the Company finalized a development line of credit (the "DLOC") with CWB for \$28,000,000 to continue the Company's growth in the foodservice industry through acquisition. The DLOC is available for 36 months and is subject to a variable interest rate of prime + 2.75%.

In March 2022, changes were made to the CWB facilities to decrease the DLOC by \$1,000,000 and to increase the Credit Facility by the same amount. In August 2022, further amendments were made to increase the DLOC to \$30,000,000.

At September 25, 2022, \$1,650,000 has been drawn on the Credit Facility, leaving Aegis with \$28,350,000 in available credit for short-term operating needs and long-term growth.

At September 25, 2022 and at November 4, 2022, there were 23,230,227 common shares issued and outstanding.

Aegis Brands Inc.

Management's Discussion and Analysis

As discussed above in “Strategic Imperatives and Key Performance Drivers”, on closing of the St. Louis asset purchase transaction, which is expected in late November 2022, the Company will repay the existing balance on the Credit Facility and will have approximately 33,600,000 Common Shares outstanding, \$30,000,000 drawn on the DLOC facility, and \$25,300,000 in 11% Convertible Debentures outstanding.

Competition

The specialty coffee industry is characterized by intense competition with respect to price, location, coffee and food quality, and numerous factors affecting discretionary consumer spending. Competitors include national and regional chains, independent coffeehouses, all restaurants and food service outlets that serve coffee, and supermarkets that compete in the whole bean and roast and ground segments.

Technology

The Company relies heavily on information technology network infrastructure including point of sale system (“POS”) hardware and software in coffeehouses, gift and loyalty card transactions, and head office (“Aegis Central”) financial and administrative functions. The ability to manage operations effectively and efficiently depends on the reliability and capacity of these technology systems, most of which are administered by third party suppliers. The Company has made significant investments in POS systems across its store network as it relies on the POS system to help analysis for both marketing initiatives and royalty calculations. During the prior year, the Company upgraded its point of purchase or retail POS systems sourced from a new third-party supplier to equip its retail Bridgehead coffeehouses with state-of-the-art retail POS infrastructure at its locations.

SEGMENTED INFORMATION AND REPORTING

The Company’s retail brands operate as independent brands. Financial results and business performance indicators are provided to the Chief Executive Officer for each brand and each brand represents its own reportable segment. The financial results of the brands are reported on a consolidated basis on these financial statements, with Second Cup and Hemisphere presented as discontinued operations.

The Company’s consolidated operating revenues comprise sales from coffeehouses, the sale of goods through retail and other ancillary channels, and other service fees.

Management is organized based on the Company’s operating brands rather than the specific revenue streams.

Aegis Brands Inc.

Management's Discussion and Analysis

SELECTED ANNUAL INFORMATION

The following table details specific financial information of the Company and should be read in conjunction with the Audited Financial Statements of the Company for the three most recently completed financial years:

(In thousands of Canadian dollars, except per share amounts)	52 weeks ended December 26,2021	52 weeks ended December 26, 2020	52 weeks ended December 28, 2019
Total revenue	\$10,876	\$11,201	\$27,037
Loss from continuing operations as reported	(\$4,862)	(\$5,860)	(\$4,674)
Basic and diluted loss per share from continuing operations as reported	(\$0.21)	(\$0.26)	(\$0.23)
Total loss from continuing and discontinued operations as reported	(\$7,914)	(\$19,622)	(\$4,674)
Basic and diluted loss per share from continuing and discontinued operations as reported	(\$0.34)	(\$0.86)	(\$0.23)
Total assets – end of period	\$20,320	\$102,656	\$113,352
Total non-current financial liabilities – end of period	\$7,438	\$12,335	\$57,030

On February 7, 2021, the Company entered into a definitive purchase agreement to sell substantially all of the assets comprising its Second Cup retail operating brand. This transaction was completed on April 23, 2021.

On July 12, 2021, the Company entered into a strategic transaction to sell its Hemisphere subsidiary, 2734524 Ontario Inc, o/a Hemisphere Cannabis Co. This transaction was completed on September 24, 2021.

In the financial statements for the 52 weeks ended December 26, 2020 and the 52 weeks ended December 26, 2021, the operations of Second Cup have been presented as discontinued operations.

In the financial statements for the 52 weeks ended December 26, 2021, the operations of Hemisphere have been presented as discontinued operations.

Aegis Brands Inc.

Management's Discussion and Analysis

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of selected financial information from the Company's unaudited interim condensed consolidated financial statements for each of the eight most recently completed quarters:

(In thousands of Canadian dollars, except per share amounts and number of shares.)	Q3 Sept. 25, 2022	Q2 June 26, 2022	Q1 Mar. 27, 2022	Q4 Dec. 26, 2021	Q3 Sept. 25, 2021	Q2 June 26, 2021	Q1 Mar. 27, 2021	Q4 Dec. 26, 2020
Total Revenue	\$3,373	\$3,240	\$2,542	\$3,396	\$2,864	\$2,383	\$3,292	\$8,306
Net earnings (loss) from continuing operations	(\$2,403)	(\$2,816)	(\$1,656)	(\$2,078)	(\$2,886)	(\$1,191)	(\$661)	(\$2,230)
Net earnings (loss) from discontinued operations	\$-	\$-	\$-	(\$1,129)	\$4,982	(\$3,910)	(\$1,140)	(\$11,813)
Net earnings (loss)	(\$2,403)	(\$2,816)	(\$1,656)	(\$3,207)	\$2,096	(\$5,101)	(\$1,801)	(14,043)
Basic and diluted earnings (loss) per share from continuing operations	(\$0.10)	(\$0.12)	(\$0.07)	(\$0.09)	(\$0.12)	(\$0.05)	(\$0.03)	(\$0.10)
Basic and diluted earnings (loss) per share from discontinued operations	\$-	\$-	\$-	(\$0.05)	\$0.21	(\$0.17)	(\$0.05)	(\$0.52)
Total basic and diluted earnings (loss) per share from net earnings	(\$0.10)	(\$0.12)	(\$0.07)	(\$0.14)	\$0.09	(\$0.22)	(\$0.08)	(\$0.62)
Number of weighted average common shares issued and outstanding, in thousands	23,230	23,230	23,230	23,076	23,199	22,916	22,916	22,840

Revenue decreased in Q1 2022 by 25 percent over Q4 2021 as a result of the negative effects on the Bridgehead business caused by the Omicron wave of the COVID-19 pandemic. In connection with the lifting of all COVID-19 pandemic related restrictions in late Q1, revenue recovered in Q2 and increased again in Q3.

On February 7, 2021, the Company entered into a definitive purchase agreement to sell substantially all of the assets comprising of its Second Cup retail operating brand causing the decrease of revenue from Q4 2020 to Q1 2021 (as the revenue was included in discontinued operations as of Q1 2020). This transaction was completed on April 23, 2021.

On July 12, 2021, the Company entered into a strategic transaction to sell its Hemisphere subsidiary, 2734524 Ontario Inc, o/a Hemisphere Cannabis Co. The increase in net earnings from discontinued operations in Q3 2021 is related to the Gain on Sale of Hemisphere. This transaction was completed on September 24, 2021.

Aegis Brands Inc.

Management's Discussion and Analysis

CONSOLIDATED HIGHLIGHTS: CONTINUING OPERATIONS OF BRIDGEHEAD AND AEGIS CORPORATE

The following table sets out selected IFRS and certain non-IFRS financial measures of the Company and should be read in conjunction with the Unaudited Condensed Interim Financial Statements of the Company for the 13 weeks and 39 weeks ended September 25, 2022 and September 25, 2021.

(In thousands of Canadian dollars, except same coffeehouse sales, number of coffeehouses, per share amounts, and number of common shares.)	13 weeks ended September 25, 2022	13 weeks ended September 25, 2021	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
System sales ¹	\$2,952	\$2,457	\$7,748	\$6,029
Same coffeehouse sales ^{1,2}	16.9%	19.0%	22.8%	17.1%
Number of coffeehouses - end of period	21	21	21	21
Total revenue	\$3,373	\$2,864	\$9,155	\$7,480
Operating costs and expenses	\$5,917	\$5,644	\$16,454	\$11,122
Loss from continuing operations ¹	(\$2,544)	(\$2,780)	(\$7,299)	(\$3,642)
Income (loss) from discontinued operations ¹	-	\$4,982	-	(\$1,923)
EBITDA ¹	(\$2,132)	(\$2,187)	(\$6,066)	(\$1,944)
Adjusted EBITDA ¹	(\$810)	(\$1,111)	(\$1,451)	(\$868)
Net income (loss) and comprehensive income (loss)	(\$2,403)	\$2,096	(\$6,874)	(\$5,783)
Adjusted net earnings (loss) and comprehensive earnings (loss) ¹	(\$1,081)	(\$1,810)	(\$2,299)	(\$2,784)
Basic and diluted loss per share as reported	(\$0.10)	\$0.09	(\$0.30)	(\$0.25)
Adjusted basic and diluted earnings (loss) per share ¹	(\$0.04)	(\$0.07)	(\$0.10)	(\$0.12)
Total assets - end of period	\$13,704	\$20,320	\$13,704	\$20,320
Number of weighted average common shares issued and outstanding	23,230,227	23,198,807	23,230,227	23,009,940

¹See the section "Definitions and Discussion on Certain non-IFRS Financial Measures" for further analysis.

²Same coffeehouse sales represent the percentage change, on average, in sales at Bridgehead coffeehouses operating system-wide that have been open for more than 12 months. For months where coffeehouses were closed temporarily due to COVID-19, those months for both years were not included in this calculation.

During the 13 weeks and 39 weeks ended September 25, 2022, there were no operations for Second Cup and Hemisphere.

During the 13 weeks ended September 25, 2021, Aegis recorded a \$313,000 operating loss on the Hemisphere business. During the 39 weeks ended September 25, 2021, Aegis recorded a \$2,769,000 operating loss on the Second Cup business and a \$1,150,000 operating loss on the Hemisphere business. The Second Cup and Hemisphere operations are shown in the comparative condensed interim consolidated statements of operations and comprehensive loss as discontinued operations.

Aegis Brands Inc.

Management's Discussion and Analysis

OPERATIONAL REVIEW

Seasonality of system sales of coffeehouses

Due to the nature of the Retail Foodservice industry, and the Company's extensive experience in this industry, the Company expects there to be an associated seasonality to its sales, specifically the notion that the last fiscal quarter will generate higher revenue than other quarters due to the holiday and festive season.

The below table shows the percentage of annual system sales generated from Company-owned Bridgehead coffeehouses.

% of Annual system sales of coffeehouses	
First Quarter 2022	18.8
Second Quarter 2022	26.6
Third Quarter 2022	28.1
Fourth Quarter 2021	26.5
	<hr/>
	100.0
	<hr/>

Coffeehouse network

	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
Number of locations - beginning of period	21	20
Locations opened	-	1
Locations closed	-	-
Acquired during the period	-	-
	<hr/>	<hr/>
Number of locations - end of period	21	21
	<hr/>	<hr/>

The Company ended the Quarter with 21 (September 25, 2021 – 21) Bridgehead coffeehouses.

Aegis Brands Inc.

Management's Discussion and Analysis

Third Quarter – Aegis Brands Inc.

System sales of coffeehouses

System sales of coffeehouses for the 13 weeks ended September 25, 2022 were \$2,952,000 compared to \$2,457,000 in the prior year, representing an increase of \$495,000 or 20.1%. The increase in Bridgehead coffeehouse sales is partially attributed to some price increases but mainly to the lifting of all COVID-19 restrictions during the prior quarter, leading to a significant increase in customer traffic.

Same coffeehouse sales

During the Quarter, same coffeehouse sales at Bridgehead locations increased by 16.9%. The increase in same coffeehouse sales is directly attributed to the lifting of all COVID-19 restrictions and its resulting increase in customer traffic.

Analysis of revenue

The Company generated revenue for the Quarter of \$3,373,000 (2021 - \$2,864,000), an increase of \$509,000 or 17.8%. The breakdown of sales by revenue channel is as follows:

	13 weeks ended September 25, 2022	13 weeks ended September 25, 2021
Coffeehouses	\$ 2,952	\$ 2,457
Wholesale	287	243
E-commerce	134	164
	<u>\$ 3,373</u>	<u>\$ 2,864</u>

The coffeehouse revenue increase had the greatest impact on the overall sales increase Quarter over Quarter as COVID-19 pandemic restrictions were lifted in March of 2022. Bridgehead's coffeehouse revenue should continue to improve as spending patterns recover from the effects of the pandemic.

Operating costs and expenses

Coffeehouse cost of sales: cost of sales, direct labour, occupancy and other were \$3,134,000 (2021 - \$2,082,000), an increase of \$1,052,000 or 50.5%. This increase corresponds with both the increase in coffeehouse sales as well as the decrease in subsidies received for wages and rent (\$429,000 in 2021 versus \$2,400 in 2022).

General and administrative: labour and related expenses of Aegis employees and Bridgehead office staff and other overhead items such as professional fees and office expenses were \$886,000 (2021 - \$1,893,000), a decrease of \$1,007,000. The majority of the decrease relates to higher professional fees, severance, and shares issued to the Board and certain employees who forewent compensation for a large part of 2020 that was recorded in the prior year comparable period.

Other: other expenses were \$1,897,000 (2021 - \$1,669,000), an increase of \$228,000. The revaluation of investments in securities in the Quarter as well as costs related to the pending acquisition were offset by lower depreciation and amortization expenses at Bridgehead.

Aegis Brands Inc.

Management's Discussion and Analysis

EBITDA

EBITDA loss from continuing operations for the Quarter was \$2,132,000 compared to \$2,187,000 in the same Quarter last year. Adjusted for revaluations of warrants and securities of \$1,322,000 (2021 - \$1,076,000), EBITDA loss for the Quarter was \$810,000 (2021 - (\$1,111,000)).

Interest and Financing Costs

The Company reported net interest and financing costs of \$102,000 (2021 - \$106,000). This is comprised primarily of the interest expense recorded on the Company's lease payments for right-of-use assets recognized in accordance with IFRS 16 as well as the interest expense on the CWB facility.

Net loss

The Company reported a total loss for the Quarter of \$2,403,000 or \$0.10 per share compared with a loss of \$2,096,000 or \$0.09 per share in the same Quarter last year. Half of the loss in the current year's Quarter is attributed to the revaluation of warrants and securities. There was also a large amount of professional fees incurred during the quarter relating to the pending acquisition.

Reconciliations of net income (loss) to EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are provided in the section "Definitions and Discussion of Certain non-IFRS Financial Measures".

Aegis Brands Inc.

Management's Discussion and Analysis

Year to Date – Aegis Brands Inc.

System sales of coffeehouses

System sales of coffeehouses for the 39 weeks ended September 25, 2022 were \$7,748,000 compared to \$6,029,000 in the prior year, representing an increase of \$1,719,000 or 28.5%. The increase in Bridgehead coffeehouse sales is mainly attributed to the gradual lifting of COVID-19 restrictions during the period, leading to a steady increase in customer traffic.

Same coffeehouse sales

During the period, same coffeehouse sales at Bridgehead locations increased by 22.8%. The increase in same coffeehouse sales is directly attributed to the lifting of all COVID-19 restrictions and its resulting increase in customer traffic.

Analysis of revenue

The Company generated revenue for the period of \$9,155,000 (2021 - \$7,480,000), an increase of \$1,675,000 or 22.4%. The breakdown of sales by revenue channel is as follows:

	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
Coffeehouses	\$ 7,748	\$ 6,029
Wholesale	937	767
E-commerce	470	684
	<u>\$ 9,155</u>	<u>\$ 7,480</u>

Bridgehead's coffeehouse revenue should continue to improve as spending patterns are beginning to recover from the effects of the pandemic. Overall revenue contribution will continue to shift towards the wholesale (grocery) channel as they continue to expand their presence in grocery stores across Ontario with plans to grow across Canada. The e-commerce channel is also well positioned for growth as the brand gets this increased exposure in new markets. Marketing investments in both channels are being made this fiscal year to support this planned growth.

Operating costs and expenses

Coffeehouse cost of sales: cost of sales, direct labour, occupancy and other were \$7,415,000 (2021 - \$4,876,000), an increase of \$2,539,000, or 52.1% which corresponds with the increase in coffeehouse revenue as well as the decrease in subsidies received for wages and rent (\$1,092,000 in 2022 versus \$2,150,000 in 2021).

General and administrative: labour and related expenses of Aegis employees and Bridgehead office staff and other overhead items such as professional fees and office expenses were \$2,776,000 (2021 - \$3,445,000), a decrease of \$669,000. The majority of the decrease relates to lower professional fees as well as severance and shares issued to the Board and certain employees who forewent compensation for a large part of 2020 that was recorded in the prior year comparable period.

Other: other expenses were \$6,263,000 (2021 - \$2,801,000), an increase of \$3,462,000 which is almost completely related to the revaluation of investments in securities and warrants and acquisition related costs.

Aegis Brands Inc.

Management's Discussion and Analysis

EBITDA

EBITDA loss from continuing operations for the period was \$6,066,000 compared with \$1,944,000 last year. Adjusted for revaluations of warrants and securities of \$4,615,000 (2021 - \$1,076,000), EBITDA loss for the period was \$1,451,000 (2021- \$868,000).

Interest and Financing Costs

The Company reported net interest and financing costs of \$283,000 (2021 – \$330,000). This is comprised primarily of the interest expense recorded on the Company's lease payments for right-of-use assets recognized in accordance with IFRS 16 and the interest expense on the CWB facility. The \$47,000 decrease is due to a lower lease liability balance in 2022 as well as a lower average principal balance outstanding on the CWB revolving facility in 2022.

Net loss

The Company reported a net loss for the period of \$6,874,000 or \$0.30 per share compared with a loss of \$5,783,000 or \$0.25 per share last year. A significant portion of the loss in the current year is attributed to the revaluation of warrants and securities. The majority of the loss in the prior year period is attributed to the discontinued operations of Second Cup and Hemisphere.

Reconciliations of net income (loss) to EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are provided in the section "Definitions and Discussion of Certain non-IFRS Financial Measures".

Aegis Brands Inc.

Management's Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

The Company generates revenue from the sale of products at its coffeehouses and as well as ancillary channels, including grocery, wholesale and ecommerce. For a more detailed discussion of the risks and uncertainties affecting the Company's liquidity, see the general risks outlined below and the "Capabilities" section above.

Summary of cash flows

(\$000's)	39 weeks ended	
	September 25, 2022	September 25, 2021
Cash used in operating activities – continuing operations	(\$1,196)	(\$4,289)
Cash used in operating activities – discontinued operations	-	(1,936)
Cash used in operating activities	(\$1,196)	(\$6,225)
Cash provided by investing activities – continuing operations	\$58	\$11,872
Cash used in investing activities – discontinued operations	-	(1,035)
Cash provided by investing activities	\$58	\$10,837
Cash provided by (used in) financing activities – continuing operations	\$341	(\$1,149)
Cash used in financing activities – discontinued operations	-	(1,412)
Cash provided by (used in) financing activities	\$341	(\$2,561)
Net increase (decrease) in cash and cash equivalents during the period	(\$797)	\$2,051

The Company used \$1,196,000 cash in its operating activities in the period compared to \$6,225,000 in the prior period. Cash used in operating activities were less in 2022 compared to 2021 due to operations recovering from the COVID-19 pandemic, as well as the settlement of significant accounts payable on the sale of the Second Cup business in the prior year.

Cash provided by investing activities in 2022 was \$58,000, comprised of the sale of certain of Bridgehead's assets. The divestiture of the Second Cup business in 2021 was the majority of the \$10,837,000 cash provided by investing activities in the prior year.

Cash related to financing activities for continuing operations in both years was proceeds from the revolving line of credit offset by lease payments. In 2021, there was additional cash used in financing activities related to the discontinued operations of Second Cup and Hemisphere.

Aegis Brands Inc.

Management's Discussion and Analysis

Working capital as at

	September 25, 2022	December 26, 2021
(\$000's)		
Current assets	\$ 2,468	\$ 2,993
Current liabilities	<u>7,240</u>	<u>4,979</u>
Working capital deficiency	\$ <u>(4,772)</u>	\$ <u>(1,986)</u>

The Company's net working capital deficiency of \$4,772,000 as at September 25, 2022 compares to a working capital deficiency of \$1,986,000 at December 26, 2021.

The Company has drawn \$1,650,000 as at September 25, 2022 (December 26, 2021 - \$nil) on its revolving credit facility. Subsequent to the closing of the St. Louis asset purchase and related financing, Aegis will have positive working capital after repaying the revolving credit facility.

Financial instruments

The following summarizes the nature of certain risks applicable to the Company's financial instruments:

Financial instrument	Risks
<i>Financial assets</i>	
Cash and cash equivalents	Credit and interest rate
Trade and other receivables	Credit and interest rate
Notes and leases receivable	Credit and interest rate
Warrants	Credit, liquidity, market price
<i>Financial liabilities</i>	
Accounts payable and accrued liabilities	Liquidity
Short-term debt	Liquidity and interest rate
Provisions	Liquidity
Lease liabilities	Liquidity

Fair value of financial instruments

The carrying values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and other liabilities approximate their fair values due to their short-term maturity. The fair value of the short-term debt represents the actual principal amount drawn from the Company's revolving line of credit facility. The credit facility has a maturity date of December 7, 2022 but is expected to be renewed on same or similar terms prior to maturity. The carrying value of notes and leases receivable approximates their fair value as the implicit interest used to discount the base value is considered to be based on an appropriate credit and risk rate pertaining to the debtor.

The fair value of warrants was determined using the Black-Scholes option pricing model, which was valued based on Level 2 inputs. This valuation model requires five input variables: the exercise price of the warrants, the current price of the underlying stock, the time to expiration, the risk-free interest rate, and the stock's volatility.

Aegis Brands Inc.

Management's Discussion and Analysis

Financial instruments that are measured subsequent to initial recognition at fair value are to be categorized in Levels 1 to 3 of the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

- Level 1 - inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has not transferred any financial instruments between Levels 1, 2 or 3 of the fair value hierarchy during the 39 weeks ended September 25, 2022.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligation.

a. Cash and cash equivalents

Credit risk associated with cash and cash equivalents is managed by ensuring these assets are placed with major financial institutions that have been assigned high credit ratings.

b. Trade and other receivables, notes and leases receivable

Trade and other receivables are comprised primarily of sales to Bridgehead's wholesale customers. The credit risk associated with these receivables is low as these are large customers with significant financial resources and collection experience has been excellent. Notes and lease receivable are comprised primarily of amounts due from lessees of Bridgehead and a note receivable from Kiaro relating to post-closing items. Credit risk associated with the lessees is low as there are subleases in place with the tenants and there have been no collection issues in the past. Credit risk associated with the Kiaro receivable was considered low as it is secured by a promissory note from a publicly-traded company but continues to be monitored for collectability.

The Company has applied IFRS 9's simplified approach and has calculated ECLs based on lifetime expected credit losses. Consistent with prior periods, the Company has leveraged a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Liquidity risk is managed through regular monitoring of forecast and actual cash flows, monitoring maturity dates of financial assets and liabilities, and also the management of the Company's capital structure and debt leverage. The Company's main source of income is coffeehouse sales and sales of other goods and services.

In December 2021, adding to the already existing \$2,000,000 revolving credit facility from CWB, the Company finalized a development line of credit (DLOC) with CWB for \$28,000,000 to continue the Company's growth in the foodservice industry through acquisition. In March 2022, changes were made to the CWB facilities to decrease the DLOC by \$1,000,000 and to increase the revolving credit facility by the same amount and in August 2022, further amendments were made to increase the DLOC to \$30,000,000. At September 25, 2022, \$1,650,000 has been drawn on the revolving credit facility, leaving Aegis with \$28,350,000 in available credit for short-term operating needs and long-term growth.

Commodity and currency risk

The Company purchases certain products, such as coffee, in U.S. dollars, thereby exposing the Company to risks associated with fluctuations in currency exchange rates. The Company is also directly and indirectly

Aegis Brands Inc.

Management's Discussion and Analysis

exposed to the commodity market risk. The exposure relates to the changes in coffee commodity prices given it is a material input for product offerings. The direct exposure pertaining to the wholesale business is mitigated given that the Company has the ability to adjust its sales price if commodity prices rise over a threshold level. This risk is mitigated by entering fixed price purchase commitments through coffee commodity brokers and by having the ability to adjust retail selling prices.

Market risk

The Company is exposed to market risk through its investment in Kiara shares as the fair value of the investment will fluctuate with changes in market prices. The carrying values of investments subject to equity price risk are based on quoted market prices as of the consolidated statements of financial position dates. Market prices are subject to fluctuation, and consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value.

Purchase Obligations

Contracts are in place with third-party companies to purchase the coffee that is sold in coffeehouses. In terms of these supply agreements, there is a guaranteed minimum value of coffee purchases of \$930,000 (2021 - \$558,000) for the subsequent 12 months. The coffee purchase commitment is composed of two components: unapplied futures commitment contracts and fixed price physical contracts.

Other Obligations

The Company is involved in litigation and other claims arising in the normal course of business. Judgment must be used to determine whether a claim has any merit, the amount of the claim and whether to record a provision, which is dependent on the potential success of the claim. It is believed that no significant losses or expenses will be incurred with such claims above what has been accrued in the consolidated financial statements. However, there can be no assurance that unforeseen circumstances will not result in significant costs. The outcome of these actions is not determinable at this time, and adjustments, if any, will be recorded in the period of settlement.

Related parties

Related parties are identified as key management personnel, members of the Board of Directors, and shareholders that exercise significant influence on the Company. Such related parties include any entities acting with or on behalf of the aforementioned parties. There were no related party transactions in the Quarter.

Aegis Brands Inc.

Management's Discussion and Analysis

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) must acknowledge they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting (“ICFR”) for the Company. The control framework used by the CEO and CFO to design the Company’s ICFR is Internal Control over Financial Reporting - Guidance for Smaller Public Companies as issued by the Committee of Sponsoring Organizations of the Treadway Commission. In addition, in respect of:

Disclosure controls and procedures

The CEO and CFO must certify they have designed the disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required under securities legislation is recorded, processed, summarized and reported in a timely manner.

As at November 4, 2022, the Company’s management, under the supervision of, and with the participation of, the CEO and CFO, evaluated the design of the disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that, as at September 25, 2022 the Company’s disclosure controls and procedures were appropriately designed.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company’s disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

During the 39 weeks ended September 25, 2022 and up to the date of the approval of the Unaudited Condensed Interim Financial Statements and MD&A, there has been no change that has materially affected, or is reasonably likely to materially affect the Company’s disclosure controls and procedures.

Internal controls over financial reporting

The CEO and CFO must certify they have designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Interim and Annual Financial Statements for external purposes in accordance with IFRS.

As at November 4, 2022, the Company’s management, under the supervision of, and with the participation of, the CEO and CFO, evaluated the design of the controls over financial reporting. No material weaknesses in the design of these controls over financial reporting were identified. Based on this evaluation, the CEO and CFO have concluded that, as at September 25, 2022, the Company’s controls over financial reporting were appropriately designed and were operating effectively.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. As such, the Company’s internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

During the 39 weeks ended September 25, 2022 and up to the date of the approval of the Unaudited Condensed Interim Financial Statements and MD&A, there has been no change in the Company’s internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company’s internal control over financial reporting.

Aegis Brands Inc.

Management's Discussion and Analysis

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions and use judgement in applying its accounting policies and in determining estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The accounting estimates will, by definition, seldom equal the related actual results.

The following are examples of areas of critical estimates, assumptions and judgments the Company makes in determining the amounts reported in the consolidated financial statements:

- impairment charges and/or the determination of the recoverable amounts of tangible and intangible assets subject to depreciation, amortization, or with indefinite lives, including the Company's right-of-use assets, property, equipment, trademark and goodwill. Management has assessed the recoverable amounts after noting indicators of impairment as a direct result of the COVID-19 pandemic;
- the derivation of deferred income tax assets and liabilities;
- the estimated useful lives of assets;
- the allowance for credit losses;
- the fair value of intangible assets acquired in business combinations

(i) Impairment charges

Impairment analysis is an area involving management judgement in determining the recoverable amount of an asset. The recoverable amount of a cash generating unit ("CGU") is calculated as the higher of the fair value less costs of disposal, and its value in use. Value in use is determined by estimating the net present value of future cash flows derived from such assets using cash flow projections that have been discounted at an appropriate rate and based on a market participant's view. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including:

- growth in total revenue;
- change and timing of cash flows such as the increase or decrease of expenditures;
- selection of discount rates to reflect the risks involved;
- applying judgement in cash flows specific to CGUs; and
- estimating the impact of the COVID-19 pandemic on the future business operations of the Company, including the impact on the ability to grow revenue and cash flow.

Changing the assumptions selected by management, in particular the revenue projections, discount rates and the growth rates used in the cash flow projections, could significantly affect the impairment evaluations and recoverable amounts.

The Company's impairment tests include significant assumptions related to the scenarios discussed above.

(ii) Deferred income taxes

The timing of reversal of temporary differences and the expected income allocation to various tax jurisdictions within Canada affects the effective income tax rate used to compute the deferred income taxes. Management estimates the reversals and income allocations based on historical and budgeted operating results and income tax laws existing at the reporting dates. In addition, management occasionally estimates the current or future deductibility of certain expenditures, affecting current or deferred income tax balances and expenses.

(iii) Estimated useful lives

The useful lives of property and equipment are based on the period during which the assets are expected to be available-for-use. The amounts and timing of recorded expenses for depreciation of property and equipment

Aegis Brands Inc.

Management's Discussion and Analysis

for any period are affected by these estimated useful lives. It is possible that changes in these factors may cause significant changes in the amount of depreciation recorded in respect of the Company's property and equipment in the future.

(iv) Allowance for credit losses

In accordance with IFRS 9, Financial Instruments ("IFRS 9"), the Company has recorded an allowance for forward-looking expected credit losses ("ECL") for all loans and other debt financial assets that are not held at fair value through profit and loss.

For lease receivables, the Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(v) Fair value of intangible assets acquired in a business combination

Management applied significant judgement in estimating the fair value of intangible assets. To estimate the fair value of the trademarks, management, with the assistance of external valuation experts, used the royalty relief method to value the trademarks using a discounted cash flow model. Management developed significant assumptions related to revenue projections and growth rates, royalty rate and the discount rate.

Aegis Brands Inc.

Management's Discussion and Analysis

CHANGES IN ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 26, 2021. During 2021, the Company completed the sale of the Second Cup assets and the sale of Hemisphere Cannabis Co. The Company has presented these disposal groups as discontinued operations as a single amount in the comparative condensed interim consolidated statement of operations and comprehensive loss.

RISKS AND UNCERTAINTIES

This section is qualified by the section "Caution Regarding Forward-Looking Statements" at the beginning of this MD&A.

The performance of Aegis Brands is primarily dependent on its ability to maintain and increase the sales of existing coffeehouses, add new profitable coffeehouses to the network, redevelop and modernize locations as their leases come due, grow new Bridgehead business lines, and acquire additional businesses in the food and beverage industry. System sales of the coffeehouse network are affected by various external factors that can affect the specialty coffee industry as a whole. Potential risks include the following:

- There is uncertainty on how long the ongoing COVID-19 pandemic will continue to restrict business operations and disrupt the way consumers shop and buy from retail stores. There is also uncertainty on whether the vaccines will be effective against the pandemic and associated variants. There is risk that consumer spending habits as they relate to retail may not return, partially or in full, in the near future. All Bridgehead coffeehouses are located in Ottawa, with a significant portion of their locations in the downtown core, a city that is recovering much more slowly than most given the concentration of government offices.
- The specialty coffee industry is characterized by intense competition with respect to price, location, coffee and food quality, and numerous factors affecting discretionary consumer spending. Competitors include national and regional chains, independent coffeehouses, all restaurants and food service outlets that serve coffee, and supermarkets that compete in the whole bean and roast and ground segments.
- Growth of the coffeehouse network depends on Aegis Brands's ability to secure and build desirable locations for its retail operating brands. There can be no assurance that current locations will continue to be attractive, or that additional coffeehouse sites can be located and secured as demographic and traffic patterns change. It is possible that the current locations or economic conditions where coffeehouses are located could decline in the future, resulting in reduced sales in those locations. There is no assurance that future sites will produce the same results as past sites.
- The Canadian specialty coffee industry is also affected by changes in discretionary spending patterns, which are in turn dependent on consumer confidence, disposable consumer income and general economic conditions. Factors such as changes in general economic conditions, recessionary or inflationary trends, job security and unemployment, equity market levels, consumer credit availability and overall consumer confidence levels may affect their business. The specialty coffee industry is also affected by demographic trends, traffic and weather patterns, as well competing coffeehouses.
- The Company relies heavily on information technology (IT) network infrastructure. The ability to manage operations effectively and efficiently depends on the reliability and capacity of these IT systems, most of which are administered by third party suppliers. The Company relies on POS for system sales for both marketing trends and analyzing of key performance indicators. The coffeehouses rely on IT network infrastructure to order goods and process credit, debit and card transactions. Aegis' financial and administrative functions rely on IT infrastructure for accurate and reliable information. The failure of these systems to operate effectively, or problems with upgrading or replacing systems, could cause a material negative financial result. The Company is continually reviewing its systems and procedures to minimize risk.

Aegis Brands Inc.

Management's Discussion and Analysis

- Reduced earnings could impact the Company's ability to comply with its credit facility covenants.
- The loss of key personnel and/or a shortage of experienced management and hourly employees could have an adverse impact on coffeehouse operations.

A more detailed discussion of the risks and uncertainties is set out in the Company's Annual Information Form dated March 28, 2022, which is available at www.sedar.com.

Risks Related to COVID-19

The COVID-19 pandemic continues to significantly impact global economic activity, including consumer spending patterns. Further, due to governmental measures and public health recommendations including those relating to physical distancing, public meeting places, including restaurants and other hospitality-related venues, the Company could experience a significant near and potentially long-term decline in customer visits.

The Canadian specialty coffee industry is also affected by changes in discretionary spending patterns, which are in turn dependent on consumer confidence, disposable consumer income and general economic conditions. In the event that the Company is unable to continue to mitigate the impacts of the COVID-19 outbreak on operations, the Company may be unable to fulfill product delivery obligations to customers, costs may increase, and revenue and margins could decrease. It is unknown whether and how the Company may be affected if such an epidemic continues to persist for an extended period of time. A widespread health crisis could adversely affect the global economy, resulting in an economic downturn that could impact demand for business. The Company may incur expenses or delays relating to such events outside of their control, which could have a material adverse impact on business, operating results and the overall financial condition.

The Company may also experience temporary shortages of supplies or staff to the extent its work force is impacted and may also continue to experience location closures for undefined periods of time.

Aegis Brands Inc.

Management's Discussion and Analysis

DEFINITIONS AND DISCUSSION ON CERTAIN NON-GAAP FINANCIAL MEASURES

In this MD&A, the Company reports certain non-IFRS financial measures such as system sales of coffeehouses, same coffeehouse sales, operating income (loss), EBITDA, adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share. Non-IFRS measures are not defined under IFRS and are not necessarily comparable to similarly titled measures reported by other issuers.

System sales of coffeehouses

System sales of coffeehouses comprise the Gross Revenue from coffeehouses.

Same coffeehouse sales

Same coffeehouse sales represent the percentage change, on average, in retail sales at coffeehouses that have been open for more than 12 months. It is one of the key metrics the Company uses to assess its performance and provides a useful comparison between fiscal quarters. The two principal factors that affect this metric are changes in customer traffic and changes in average check (the average dollar amount on a single transaction at the coffeehouse). If a coffeehouse was temporarily closed due to COVID-19, sales during the months of closure were excluded from the calculation in both years.

Operating loss

Operating loss represents revenue, less cost of goods sold, less operating expenses, and less impairment charges. This measure is not defined under IFRS, although the measure is derived from figures in accordance with IFRS. Management views this as an indicator of financial performance that excludes costs pertaining to interest and financing, and income taxes.

EBITDA and adjusted EBITDA

EBITDA represents earnings before interest and financing, income taxes, and depreciation and amortization. Adjustments to EBITDA are for items that are not necessarily reflective of the Company's underlying operating performance. As there is no generally accepted method of calculating EBITDA, this measure is not necessarily comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and evaluate liquidity. Management interprets trends in EBITDA as an indicator of relative financial performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS.

Adjusted net income (loss) and adjusted net income (loss) per share

Adjustments to net earnings (loss) and net earnings (loss) per share are for items that are not necessarily reflective of the Company's underlying operating performance. These measures are not defined under IFRS, although the measures are derived from figures in accordance with IFRS. Management views these as indicators of financial performance.

Aegis Brands Inc.

Management's Discussion and Analysis

Reconciliations of net loss to operating loss and EBITDA, adjusted net loss and adjusted net loss per share are provided below:

	13 weeks ended September 25, 2022	13 weeks ended September 25, 2021	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
Net income (loss)	(\$2,403)	\$2,096	(\$6,874)	(\$5,783)
Add (deduct):				
Net (income) loss from discontinued operations	-	(4,982)	-	1,923
Other income	-	-	(40)	-
Income tax recovery	(243)	-	(668)	(112)
Interest and financing expense	102	106	283	330
Operating loss, continuing operations	(\$2,544)	(\$2,780)	(\$7,299)	(\$3,642)
	13 weeks ended September 25, 2022	13 weeks ended September 25, 2021	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
Net income (loss)	(\$2,403)	\$2,096	(\$6,874)	(\$5,783)
Add (deduct):				
Net (income) loss from discontinued operations	-	(4,982)	-	1,923
Other income	-	-	(40)	-
Income tax recovery	(243)	-	(668)	(112)
Interest and financing expenses	102	106	283	330
Depreciation of property and equipment	161	231	479	615
Amortization of right-of-use assets	251	362	754	1,083
EBITDA, continuing operations	(\$2,132)	(\$2,187)	(\$6,066)	(\$1,944)
Add impact of the following:				
Revaluation of warrants and securities	1,322	1,076	4,615	1,076
Adjusted EBITDA, continuing operations	(\$810)	(\$1,111)	(\$1,451)	(\$868)
	13 weeks ended September 25, 2022	13 weeks ended September 25, 2021	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
Net income (loss)	(\$2,403)	\$2,096	(\$6,874)	(\$5,783)
Add (deduct) impact of the following:				
Other income	-	-	(40)	-
Net (income) loss from discontinued operations	-	(4,982)	-	1,923
Revaluation of warrants and securities	1,322	1,076	4,615	1,076
Adjusted net loss, continuing operations	(\$1,081)	(\$1,810)	(\$2,299)	(\$2,784)

Aegis Brands Inc.

Management's Discussion and Analysis

	13 weeks ended September 25, 2022	13 weeks ended September 25, 2021	39 weeks ended September 25, 2022	39 weeks ended September 25, 2021
Net income (loss) per share	(\$0.10)	\$0.09	(\$0.30)	(\$0.25)
Add (deduct) impact of the following:				
Net (income) loss from discontinued operations	-	(0.21)	-	0.08
Revaluations of warrants and securities	0.06	0.05	0.20	0.05
Adjusted net loss per share, continuing operations	(\$0.04)	(\$0.07)	(\$0.10)	(\$0.12)