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", 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 restaurants, 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 or restaurants; the closure of coffeehouses or restaurants; 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 20, 2023, 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

The following MD&A has been prepared as of March 20, 2023 and is intended to assist in understanding the financial performance and financial condition of the Company for the 52 weeks ended December 25, 2022, and should be read in conjunction with the audited consolidated financial statements of the Company for the 52 weeks ended December 25, 2022 ("the Audited Consolidated Financial Statements") and the audited consolidated financial statements of the Company for the 52 weeks ended December 26, 2021, and the Company's annual information form dated March 20, 2023. Past performance may not be indicative of future performance.All amounts are presented in thousands of Canadian dollars, except number of coffeehouses or franchises, 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 ofcoffeehouses, 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 ofCertain non-IFRS Financial Measures" in this MD&A.

Additional information relating to the Company, including the Company's annual information form dated March 20, 2023, can be found at www.sedar.com.

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CORE BUSINESS, STRATEGIC IMPERATIVES, AND KEY PERFORMANCE DRIVERS

Core Business

Aegis Brands currently owns and operates the Bridgehead Coffee® and St. Louis Bar & Grill® brands, "Bridgehead" and "St. Louis". The Company, directly and through its subsidiaries, owns the trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operation of these brands 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 November 2022 located at 2040 Yonge St., Suite 200B, Toronto, Ontario, M4S 1Z9. The Company's website is www.aegisbrands.ca. The Company's common shares trade on 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 the end of the fiscal year, the Company owned and operated two retail operating brands, Bridgehead and St. Louis. Bridgehead has 21 Company-owned coffeehouses in Ottawa, Ontario, including its flagship roastery, all of which operate under the Bridgehead brand. St. Louis has 74 franchised locations across Canada.

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. The last two years have been transformative ones for Aegis with the disposition of two business units, but with the acquisition of St. Louis in fiscal 2022, the Company is now well positioned to continue its vision.

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 cafes opened following completion of the sale. To date, no earn-out has been realized. The sale was approved by 99.62% of the votes cast by the Company's common shareholders at a special meeting of common shareholders on April 7, 2021 and was completed on April 23, 2021. 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 agreed to sell its subsidiary 2734524 Ontario Inc. ("Hemisphere") in exchange for an equity stake in Kiaro. In consideration for 100% of Hemisphere's common shares, Kiaro issued 61,300,000 common shares to Aegis, 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. On September 24, 2021, the Company announced that it had completed the transaction with Kiaro. On September 23, 2022, Kiaro announced that it would effect a consolidation of its common shares on the basis of 1 share for every 10 common shares and issued an additional 10,000,000 common shares, resulting in Aegis' ownership position decreasing below 20%.

In accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the Company has classified this disposal group of assets as held for sale on the comparative consolidated statement of financial position and has presented the after-tax loss from discontinued operations as a single amount in the comparative consolidated statement of operations and comprehensive loss.

On November 17, 2022, Aegis successfully completed the acquisition of substantially all of the assets and intellectual property of the "St. Louis Bar & Grill"® brand and trademark. The fair value of consideration on closing was $50,000,000 in cash. The cash consideration was financed with the proceeds of $30,000,000 from the Company's existing Development Line of Credit ("DLOC") facility with Canadian Western Bank Franchise Finance ("CWB"), $25,045,000 from issuing 11% convertible unsecured subordinated debentures ("the Debentures"), and $3,375,000 from issuing common shares, with the excess fundraising going towards working capital and general corporate purposes.

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

The Debentures bear interest of 11.0% per annum and have a maturity date of sixty (60) months from the closing of the Offering (the "Maturity Date"). The 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. On December 23, 2022, Aegis announced that it would exercise its right to force the conversion of the entire outstanding principal amount the Debentures into common shares of the Company. In connection with this forced conversion, the Company issued an aggregate of 51,639,175 common shares effective January 23, 2023.

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 continued 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, particularly in the first quarter of 2022.

Since the declaration of the pandemic, 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 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 December 25, 2022, and as of March 20, 2023, 1 out of 21 Bridgehead coffeehouses continued to be temporarily suspended for business operations.

The temporary and permanent store closures, and restricted store operations as a result of the circumstances described above, have significantly reduced sales and impacted the Company's cash flows in fiscal 2022, resulting in a third straight year with negative cash flow from operations. 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, the Company has performed an assessment of the recoverability of its assets, including its trademarks, right-of-use assets, property and equipment. Following this assessment, the Company has recognized an impairment charge against its assets during the 52-week period.

St. Louis took a number of steps to address and mitigate the negative impact of COVID-19 on their business including a focus on off-premise sales and delivery channels with revised menus. St. Louis also worked with landlords to find solutions for the COVID-19 disruption and recovery periods. The same stores sales at St. Louis recovered to above pre-pandemic levels prior to its acquisition by Aegis.

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.

For the 13-week and 52-week periods ended December 25, 2022, the Company applied for $nil and $720,550 of wage subsidies in connection with the CEWS financial relief program, respectively. The Company has recorded the wage subsidy as a reduction to the eligible remuneration expense incurred by the Company for this period.

For the 13-week and 52-week periods ended December 25, 2022, the Company applied for $nil and $381,080 of rent subsidies in connection with the CERS financial relief program, respectively. The Company has recorded the rent subsidy as a reduction to the eligible rent expense incurred by the Company for this period.

Acquisition of Bridgehead

On January 9, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Bridgehead. The consideration consisted of $6,000,000 in cash, $3,000,000 in shares, which represented the fair value of the stock as at the valuation date of January 8, 2020, and additional earn out payments of up to $1,500,000, based on the profitability of Bridgehead's existing coffeehouses over the next two years.

Bridgehead operations were subsequently negatively impacted by the effects of the COVID-19 global pandemic and as of the date of this MD&A, the operations continue to try to work their way back. At certain times during the pandemic, Bridgehead was reliant on the CEWS and CERS subsidies provided to eligible businesses by the government of Canada. In Q4 2020, an impairment charge of $3,000,000 was recorded against the Bridgehead assets. The brand's 2020 profitability was far below the threshold for the potential earn out payment for that year and as a result, that portion of the potential earn out was reversed. In Q4 2021, a further impairment charge of $617,000 was recorded against the Bridgehead assets. In 2021, it was management's assessment that again no earn out would be paid for 2021 since the profitability of Bridgehead before government subsidies is far below the level required for the earn out to be paid, and as a result, the remainder of the earn out liability "contingent consideration" was reversed. No earn-out has been paid. In Q4 2022, a further impairment charge of $331,000 was recorded against the Bridgehead assets.

Acquisition of St. Louis

On September 29, 2022, Aegis announced that it had entered into a definitive agreement to acquire substantially all of the assets and the intellectual property of the St. Louis Bar & Grill® ("St. Louis") brand and trademark for $50,000,000, subject to certain closing adjustments. The acquisition was funded through a combination of debt and equity, including $30,000,000 from a senior debt facility with CWB and a private placement offering of $25,045,000 of convertible debentures, and $3,375,000 of equity. On November 17, 2022, the Company announced that it had completed the St. Louis transaction. Aegis' Business Acquisition Report, dated January 31, 2023, Form 51-102F4, in respect of the acquisition, can be found on Aegis' profile at www.sedar.com.

Discontinued Operations

As discussed above in "Strategic Imperatives and Key Performance Drivers", 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 classified these disposals group of assets as held for sale on the comparative consolidated statement of financial position and presented the after-tax loss from discontinued operations as a single amount in the 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.

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 in its entirety 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, 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, which 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 254 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.

The St. Louis Brand

St. Louis Bar & Grill first opened its doors in Toronto in 1992. Famous for its "Devilishly Good!" service, signature wings, fries, and garlic dill sauce, their local neighbourhood restaurants offer exceptionally friendly service in a casual sports bar and grill setting. In 18 plus years of franchising, they've expanded to over 70 franchised locations across Canada, with an aggressive national expansion now underway.

There is a total of 44 St. Louis team members which includes personnel employed in marketing, training and operations, development, procurement, business intelligence and corporate. All are employed at the Company's home office.

St. Louis' goal is to provide great tasting food, and fantastic service, in a casual, local neighbourhood bar and grill setting. St. Louis wings are best in class thanks to their proprietary marinade and a very selective choice of sauces and dry rubs. Certain of St. Louis' products are now available for purchase at selected grocery retailers in Canada and online through their App and Amazon.

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 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 and in March 2022 was increased to $3,000,000. This Credit Facility was renewed on November 16, 2022.

The Company entered into a Development Line of Credit ("DLOC") with CWB in fiscal 2021 for $28,000,000 in anticipation of acquiring more businesses in the food and beverage space. In March 2022, changes were made to the DLOC to decrease the DLOC to $27,000,000 and in August 2022, further amendments were made to increase the DLOC to $30,000,000.

On November 17, 2022, the Company drew $30,000,000 from its DLOC with CWB to partially fund the acquisition of St. Louis. The loan is non-revolving, with an interest rate of prime + 2.75% and is interest-only for the first six months after disbursement. The term of the loan is 60 months, and consists of 59 monthly, consecutive and equal blended payments with one final balloon payment based on a 120-month amortization.

At December 25, 2022 there were 33,647,992 common shares issued and outstanding. At March 20, 2023, there were 85,287,167 shares outstanding.

Competition

Bridgehead

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.

St Louis

St. Louis operates in a very competitive environment, with many direct competitors in both the casual restaurant space and the wing and bar space. St. Louis continues to ascend as a dominant player.

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 home office 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.

SEGMENTED INFORMATION AND REPORTING

The Company's retail brands operate as independent brands and management is organized based on the Company's operating brands rather than the specific revenue streams. Financial results and business performance indicators are provided to the Chief Executive Officer for each brand, and hence each brand represents its own reportable segment. The financial results of the brands are reported on a consolidated basis in the financial statements, with Second Cup and Hemisphere presented as discontinued operations.

Included in Bridgehead revenue is revenue from coffeehouses as well as other sales relating to the Bridgehead business including sales of products sold online through the Company's website, as well as products sold in grocery stores through wholesale distribution channels and third-party licensing agreements.

Included in St. Louis revenue is franchise fees and royalties from franchisees, supplier contributions, advertising fund revenue, and other service fees.

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 25,2022**	**52 weeks ended December 26,2021**	**52 weeks ended December 26, 2020**
Total revenue – Bridgehead	$13,207	$10,876	$9,428
Total revenue - St. Louis	$1,952	N/A	N/A
Loss from continuing operations as reported	($9,248)	($4,862)	($5,860)
Basic and diluted loss per share from continuing operations as reported	($0.38)	($0.21)	($0.26)
Total loss from continuing and discontinued operations as reported	($9,248)	($7,914)	($19,622)
Basic and diluted loss per share from continuing and discontinued operations as reported	($0.38)	($0.34)	($0.86)
Total assets – end of period	$73,880	$20,320	$102,657
Total non-current financial liabilities – end of period	$55,966	$7,438	$7,853

On September 29, 2022, Aegis announced that it had entered into a definitive agreement to acquire substantially all of the assets and the intellectual property of the St. Louis Bar & Grill® ("St. Louis") brand and trademark for $50,000,000. On November 17, 2022, the Company completed the St. Louis transaction. The results of St. Louis in the 52 week period ended December 25, 2022 are for 39 days only.

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.

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.)	**Q4 Dec. 25, 2022**	**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**
Total Revenue-Bridgehead	$4,052	$3,373	$3,240	$2,542	$3,396	$2,864	$2,383	$3,292
Total Revenue-St. Louis	$1,952	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net loss from continuing operations	($2,373)	($2,403)	($2,816)	($1,656)	($2,078)	($2,886)	($1,191)	($661)
Net earnings (loss) from discontinued operations	N/A	N/A	N/A	N/A	($1,129)	$4,982	($3,910)	($1,140)
Net earnings (loss)	($2,373)	($2,403)	($2,816)	($1,656)	($3,207)	$2,096	($5,101)	($1,801)
Basic loss per share from continuing operations	($0.09)	($0.10)	($0.12)	($0.07)	($0.09)	($0.12)	($0.05)	($0.01)
Basic earnings (loss) per share from discontinued operations	N/A	N/A	N/A	N/A	($0.05)	$0.21	($0.17)	($0.07)
Total basic and diluted earnings (loss) per share	($0.09)	($0.10)	($0.12)	($0.07)	($0.14)	$0.09	($0.22)	($0.08)
Number of weighted average common shares issued and outstanding, in thousands	27,745	23,230	23,230	23,230	23,066	23,199	22,916	22,916

Revenue decreased in Q1 2022 by 25% 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. Q4 2022 followed the seasonal trend of being the highest revenue generating quarter.

As of November 17, 2022, upon completion of the St. Louis transaction, the Company began generating revenue through franchise fees and royalties from franchisees, supplier contributions, and other service fees related to the St. Louis business.

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.

CONSOLIDATED HIGHLIGHTS: CONTINUING OPERATIONS OF BRIDGEHEAD, ST. LOUIS AND AEGIS BRANDS

The following table sets out selected IFRS and certain non-IFRS financial measures of the Company and should be read in conjunction with the Audited Consolidated Financial Statements of the Company.

(In thousands of Canadian dollars, except same coffeehouse sales, number of coffeehouses, per share amounts, and number of common shares.)	13 weeks ended December 25, 2022	13 weeks ended December 26, 2021	52 weeks ended December 25, 2022	52 weeks ended December 26, 2021
System sales of coffeehouses and other sales	$ 4,052	$ 3,396	$ 13,207	$ 10,876
Same coffeehouse sales [1,2]	16.5%	25.6%	14.8%	17.7%
Number of coffeehouses - end of period	21	21	21	21
St. Louis Revenue	$ 1,952	$ -	$ 1,952	$ -
Total revenue	$ 6,004	$ 3,396	$ 15,159	$ 10,876
Operating costs and expenses	$ 8,271	$ 4,690	$ 24,725	$ 15,649
Operating loss[1]	$ (2,935)	$ (2,134)	$ (9,566)	$ (4,773)
EBITDA[1]	$ (2,444)	$ (1,987)	$ (7,842)	$ (3,931)
Adjusted EBITDA[1]	$ (1,798)	$ 197	$ (2,581)	$ (1,748)
Net loss	$ (2,373)	$ (2,131)	$ (9,248)	$ (7,914)
Adjusted net loss [1]	$ (1,785)	$ 179	$ (4,084)	$ (3,681)
Basic loss per share as reported	$ (0.09)	$ (0.09)	$ (0.38)	$ (0.34)
Diluted loss per share as reported	$ (0.09)	$ (0.09)	$ (0.38)	$ (0.34)
Adjusted basic income (loss) per share[1]	$ (0.07)	$ 0.01	$ (0.16)	$ (0.16)
Adjusted diluted loss per share[1]	$ (0.07)	$ 0.01	$ (0.16)	$ (0.16)
Total assets - end of period	$ 73,880	$ 20,320	$ 73,880	$ 20,320
Number of weighted average common shares issued and outstanding	27,744,592	23,066,671	24,346,416	23,066,671

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

[2]Same 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.

The Second Cup and Hemisphere operations are shown in the consolidated financial statements as discontinued operations.

During the 52 weeks ended December 26, 2021, Aegis recorded a $2,769,000 operating loss on the Second Cup business for the period December 27, 2020 to April 23, 2021 and a $3,930,000 loss on disposal of the Second Cup assets.

During the 52 weeks ended December 26, 2021, Aegis recorded a $1,122,000 operating loss on the Hemisphere business for the period December 27, 2020 to September 24, 2021 and a $4,769,000 gain on disposal of the Hemisphere subsidiary.

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 Bridgehead coffeehouses.

% of Annual system sales of coffeehouses	**2022**	**2021**
First Quarter	17.6	19.3
Second Quarter	24.9	21.3
Third Quarter	26.1	27.8
Fourth Quarter	31.4	31.6
	100.0	100.0

Coffeehouses/location network

	13 weeks ended		**52 weeks ended**	
	December 25, 2022	**December 26, 2021**	**December 25, 2022**	**December 26, 2021**
Number of locations - beginning of period	21	21	21	24
Acquired during the period[1]	74	-	74	-
Locations opened	-	-	-	1
Locations closed	-	-	-	-
Locations reclassified to discontinued operations[2]	-	-	-	(4)
Number of locations - end of period	95	21	95	21

[1]The Company acquired the St. Louis franchise business on November 17, 2022. The 74 franchised locations under the St. Louis brand are included above.
[2]Hemisphere locations are presented as discontinued operations due to the sale of this business segment.

The Company ended the 52 weeks ended December 25, 2022 with 21 coffeehouses and 74 St. Louis franchised locations.

Fourth Quarter – Aegis Brands

System sales of coffeehouses

System sales of coffeehouses for the 13 weeks ended December 25, 2022 were $3,516,000 compared to $2,954,000 in the prior year, representing an increase of $562,000 (19.0%). In the month of December 2021, the re-introduction of many restrictions due to the Omicron COVID-19 variant caused a drop in sales at the beginning of 2022. In Q4 2022, there were no COVID-19 restrictions remaining.

Same coffeehouse sales

During the 13 weeks ended December 25, 2022, same coffeehouse sales at Bridgehead locations increased by 16.5% over 2021, as COVID-19 restrictions were further eased, and foot traffic increased.

Analysis of revenue

The Bridgehead brand generated revenue for the Quarter of $4,052,000 (2021 - $3,375,000), an increase of $667,000 or 20.1%. The breakdown of sales by revenue channel is as follows:

	13 weeks ended December 25, 2022	13 weeks ended December 26, 2021
Coffeehouses	$ 3,516	$ 2,954
Wholesale	376	287
E-commerce	160	134
	$ 4,052	$ 3,375

The St. Louis brand generated revenue for the Quarter of $1,952,000. The breakdown of sales by revenue channel is as follows:

	13 weeks ended December 25, 2022
Royalties	$ 532
Advertising fund contributions	816
Other franchise revenue	604
	$ 1,952

Operating costs and expenses

Operating costs and expenses include the costs of coffeehouse sales, general and administrative expenses, loss on disposal of assets, depreciation and amortization, other income or expenses, and asset impairment charges.

Total operating costs and expenses for the fourth quarter totaled $8,271,000 (2021 - $4,527,000). Included in this amount was Coffeehouse cost of sales: cost of sales, direct labour, occupancy and other which totaled $3,708,000 (2021 - $3,341,000), representing an increase of $367,000 or 11.0%. This increase is directly related to the increase in sales.

General and administrative: labour and related expenses of Aegis employees, St. Louis employees and Bridgehead office staff and other overhead items such as professional fees and office expenses were $3,299,000 (2021 - $706,000), an increase of $2,593,000. The majority of the increase relates to the St. Louis expenses, particularly those of the Advertising Fund.

Other expenses of $1,264,000 (2021 - $480,000), represents an increase of $784,000. This increase is mostly due to the fair value revaluation of the investment in Kiaro, as well the acquisition related costs. Offsetting these increases was a lower impairment charge in 2022. (see note below).

Impairment indicators were identified as a result of the economic impacts of the COVID-19 pandemic, which has resulted in the temporary closures of coffeehouses, and scaled down nature of operations of open coffeehouses. Impairment analysis was performed for property and equipment and right-of-use assets as well as on the Company's trademarks and goodwill recorded on acquisition of Bridgehead. The Company has recorded non-cash asset impairment charges of $331,000 (2021-$617,000) in the fourth quarter out of which $66,000 (2021 - $106,000) relates to Bridgehead's property, equipment, and leasehold improvements, and $265,000 (2021 - $511,000) relates to the right-of-use assets.

EBITDA

EBITDA for the fourth quarter was a loss of $2,444,000. Adjusted for impairment and revaluation charges, EBITDA for the fourth quarter was a loss of $1,798,000.

Interest and Financing Costs

The Company reported net interest and financing costs of $956,000 in the fourth quarter. This represents the interest expense on the convertible debentures and interest charged on the CWB senior facility during the quarter. Also included is the Company's lease payments for right-of-use assets recognized in accordance with IFRS 16, Leases ("IFRS 16").

Net loss

The Company reported a net loss of $2,373,000 for the fourth quarter or $0.09 per share. Adjusted for asset impairment charges and the revaluation of investments, the net loss was $1,785,000 or $0.07 per share.

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".

Full Year – Aegis Brands

System sales of coffeehouses and revenue

System sales of coffeehouses for fiscal 2022 were $11,259,000 compared to $8,976,000 in the prior year, an increase of 25.4%. This increase is mostly due to the removal of COVID-19 restrictions for the majority of the year.

Same coffeehouse sales

Same coffeehouse sales at Bridgehead locations increased by 14.8% overall year-to-date, consistent with the quarter over quarter improvements in same coffeehouse sales.

Analysis of revenue

The Bridgehead brand generated revenue for the year of $13,207,000 (2021 - $10,876,000), an increase of $2,331,000 or 21.4%. The breakdown of sales by revenue channel is as follows:

	52 weeks ended December 25, 2022	52 weeks ended December 26, 2021
Coffeehouses	$ 11,259	$ 8,976
Wholesale	1,316	1,016
E-commerce	632	884
	$ 13,207	$ 10,876

Operating costs and expenses

Operating costs and expenses include the costs of coffeehouse sales, general and administrative expenses, loss on disposal of assets, depreciation and amortization, other income or expenses, and asset impairment charges.

Total operating costs and expenses for the year totaled $24,725,000 (2021 - $15,649,000). Included in this amount was Coffeehouse cost of sales: cost of sales, direct labour, occupancy and other which totaled $11,123,000 (2021 - $8,217,000), representing an increase of $2,906,000 or 35.4%. This increase is directly related to the increase in coffeehouse revenue as well as the decrease in subsidies received for wages and rent in 2022 versus 2021.

General and administrative which includes labour and related expenses of Aegis employees, St. Louis employees and Bridgehead office staff and other overhead items such as professional fees and office expenses were $6,065,000 (2021 - $4,151,000), an increase of $1,914,000. The majority of the 2022 increase relates to the St. Louis expenses, particularly those of the Advertising Fund. The increase in current year's costs are offset by prior year's higher professional fees, and higher severance expense.

Other expenses of $7,537,000 (2021- $3,281,000), an increase of $4,256,000 were incurred during the year. This increase is mainly due to the revaluation of the investment in Kiaro of $4,930,000 and acquisition costs of $571,000. These costs were offset by the lower asset impairment charges in 2022 versus 2021.

Interest and Financing Costs

The Company reported net interest and financing costs of $1,239,000 (2021- $493,000). This represents the interest expense on the Convertible debentures and interest charged on the CWB facility during the year. Also included is the Company's lease payments for right-of-use assets recognized in accordance with IFRS 16.

EBITDA

EBITDA for the fiscal year was a loss of $7,842,000, compared to an EBITDA loss of $3,931,000 in the prior year. Adjusted for asset impairment charges, EBITDA loss is $2,581,000 compared to EBITDA loss of $1,748,000 in the prior year.

Net loss
The Company reported a net loss of $9,248,000 or $0.38 per share for the fiscal year versus a net loss in 2021 of $7,914,000 or $0.34 per share. Adjusted for other income and asset impairment charges, the net loss is $4,084,000 or $0.16 per share for the fiscal year versus a net loss $3,681,000 or $0.16 per share in 2021.

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".

LIQUIDITY AND CAPITAL RESOURCES

The Company primarily generates revenue from the sale of products at its coffeehouses, through ancillary channels including grocery, wholesale and e-commerce, and through franchise and royalty fees, and supplier contributions. 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

	52 weeks ended December 25, 2022	52 weeks ended December 26, 2021
Cash used in operating activities – continuing operations	$ (734)	$ (685)
Cash used in operating activities – discontinued operations	-	(3,291)
Cash used in operating activities	(734)	(3,976)
Cash provided by (used in) investing activities – continuing operations	(49,869)	11,695
Cash used in investing activities – discontinued operations	-	(3,454)
Cash provided by (used in) investing activities	(49,869)	8,241
Cash provided by (used in) financing activities – continuing operations	55,346	(2,197)
Cash used in financing activities – discontinued operations	-	(1,252)
Cash provided by (used in) financing activities	55,346	(3,449)
Net increase in cash and cash equivalents during the period	$ 4,743	$ 816

The Company used $734,000 cash in its operating activities. The net loss for the year was offset by the change in fair value of investments, asset impairment charges and change in non-cash working capital.

Cash used in investing activities was $49,869,000 mainly consisting of the proceeds used to purchase St. Louis.

Cash generated in financing activities of $55,346,000 is comprised mainly of proceeds from the CWB senior debt facility and the private placement of convertible debentures and common shares for the St. Louis acquisition.

In fiscal 2022, the Company's cash position increased by $4,743,000. This increase is directly related to the excess funds raised in connection with the acquisition of St. Louis.

The following table outlines the total contractual obligations including lease liabilities and long-term debt, at December 25, 2022 over the next 5 years:

Year 1	$ 7,172
Year 2	7,536
Year 3	7,088
Year 4	6,516
Year 5	5,299
Thereafter	21,519

Working capital as at

		December 25, 2022		December 26, 2021
Current assets	$	10,092	$	2,993
Current liabilities		10,869		4,979
Working capital	$	(777)	$	(1,986)

The Company has a net working capital deficiency of $777,000 at December 25, 2022 compared to a working capital deficiency balance of $1,986,000 at December 26, 2021.

The Company has unrestricted cash and cash equivalents of $2,087,000 as at December 25, 2022 (December 26, 2021 - $1,515,000). As at December 25, 2022, the Company has cash held in short-term deposits of $3,022,000 (2021 - $250,000). The Company has segregated cash of $1,399,000 for the settlement of liabilities including the St. Louis gift card program administered by the Company, a charity in which funds are held on their behalf, and the Advertising Fund in St. Louis.

Financial instruments

The following table summarizes the nature of certain risks applicable to the Company's financial instruments. The risks are discussed below.

Financial instrument	**Risks**
Financial assets	
Cash and cash equivalents	Credit and interest rate
Trade and other receivables	Credit and interest rate
Notes receivable	Credit and interest rate
Investments in equity securities	Liquidity and market risk
Financial liabilities	
Accounts payable and accrued liabilities	Liquidity
Short-term debt	Liquidity
Convertible debentures	Credit, liquidity, and interest rate
Long-term debt	Credit, liquidity, and interest rate

Fair value of financial instruments

The carrying values of cash and cash equivalents, trade and other receivables, notes receivable, accounts payable and accrued liabilities, and convertible debentures (liability portion) approximate their fair values due to their short-term maturity or market rate of interest and are carried at amortized cost.

The carrying values of long-term debt and lease obligations approximate fair values because the instruments bear interest at either floating rates or effective interest rates, which approximate current market rates for similar debt instruments.

The carrying value of leases receivable approximate 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 pricing model. This valuation model requires five input variables and is level 3 in the hierarchy: 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. The stock's volatility was adjusted at year end for industry specific factors and other considerations to determine the fair value of the warrants. In some cases, the warrants are marketable securities, and in that case the fair value is determined by its trading value.

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 thatare 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 52 weeks ended December 25, 2022.

Financial risk management

The Company's activities result in exposure to a variety of financial risks, including credit, liquidity, and market risk. The Company's approach to financial risk management has not changed during the current fiscal year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

b. Trade and other receivables, notes and leases receivable
Trade and other receivables and notes and lease receivable primarily comprise amounts due from lessees of Bridgehead. Credit risk associated with these receivables is determined during the initial stages of lease negotiations and by monitoring account balances beyond a particular age. The overall credit risk is mitigated due to coffeehouses receiving payment for goods sold as they are selling them, and therefore, receivable balances are minimal.

The Company has applied the simplified approach contained in IFRS 9, *Financial Instruments* ("IFRS 9") and has calculated expected credit losses ("ECL") based on lifetime expected credit losses. Consistent with the prior fiscal year, the Company has leveraged a provision matrix that is basedon 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 an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 secured a credit agreement with CWB Franchise Finance (CWB) pursuant to which a revolving credit facility ("Credit Facility") of $4,000,000 was made available to the Company, initially secured by the assets of Second Cup and Bridgehead. In connection with the sale of the Second Cup assets in 2021 and associated decrease in security, the credit facility was reduced to $2,000,000 then subsequently increased to $3,000,000 in March 2022. The balance outstanding on the Credit Facility was repaid in full in November 17, 2022, leaving Aegis with $3,000,000 of available credit for short-term needs.

On November 17, 2022, Aegis successfully completed the acquisition of substantially all of the assets of St.

Louis pursuant to the terms and conditions set forth in the asset purchase agreement. The fair value of consideration on closing was $50,000,000 in cash. The cash consideration was financed with the proceeds of $30,000,000 from the Company's existing Development Line of Credit ("DLOC") facility with CWB, $25,045,000 from issuing 11% convertible unsecured subordinated debentures ("the Debentures"), and $3,400,000 from issuing common shares, with the excess fundraising going towards working capital and general corporate purposes.

Market risk

Market risk is the risk to the Company that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk. Market risk arises as a result of the Company holding assets and liabilities with variable interest rates, and investments in equity securities. Management believes the Company is not significantly exposed to currency or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on the variable rate of interest incurred on the amounts due under the credit facility and on interest earned on bank deposits. The cash flow required to service the interest on these facilities will fluctuate as a result of changes to market rate. As at December 25, 2022 an increase or decrease of 1% in the bank prime rate would have an impact of $295,000 on annual interest expense using the balance of the long-term debt at December 25, 2022 and expected loan payments.

Obligations from Operating Leases

With the adoption of IFRS 16, leases are now reported in the consolidated statement of financial position as lease liabilities along with the associated right-of-use assets and leases receivable.

Purchase Obligations

Contracts are in place with third-party companies to purchase the coffee that is sold in coffeehouses. In terms of the supply agreements, there is a guaranteed minimum value of coffee purchases of $1,619,000 (2021 - $519,000) 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 certain 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 of the Company are identified as key management, members of its board of directors, and shareholders that effectively exercise significant influence on the Company. Such related parties include any entities acting with or on behalf of the aforementioned parties.

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 March 20, 2023, 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 December 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 52 weeks ended December 25, 2022 and up to the date of the approval of the Audited Consolidated 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 Annual Financial Statements for external purposes in accordance with IFRS.

As at March 20, 2023, 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 December 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 52 weeks ended December 25, 2022 and up to the date of the approval of the Audited Consolidated 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.

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 judgements 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; and
- the ability of the Company to remain a going concern.

(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 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, the Company has recorded an allowance for forward-looking ECL for all loans and other debt financial assets that are not held atfair value through profit and loss.

The Company notes that its cash equivalents and short-term investments are high-grade investments that are held with reputable financial institutions. As such, these assets are considered to be low credit risk investments.

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 business combinations
Management applied significant judgement in estimating the fair value of the 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.

RISKS AND UNCERTAINTIES

This section is qualified in its entirety 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 and restaurants, add new profitable coffeehouses and restaurants to the network, redevelop and modernize locations as their leases come due, and grow new Bridgehead and St. Louis business lines. System sales of the coffeehouse and restaurant networks are affected by various external factors that can affect the Canadian commercial foodservice 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 risk that consumer spending habits as they relate to retail may not return, partially or in full, in the near future. This risk particularly impacts Bridgehead as all of their coffeehouses are located in Ottawa, with a significant portion of their locations in the downtown core, a city that continues to recover much more slowly than most given the concentration of government offices.

- The specialty coffee and the casual dining industry are 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, and supermarkets.

- Growth of the Bridgehead and St. Louis networks depend on Aegis Brands Inc.'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 sites can be located and secured as demographic and traffic patterns change. It is possible that the current locations or economic conditions where our coffeehouses or restaurants 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 and the casual dining industry are 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. These industries are also affected by demographic trends, traffic and weather patterns, as well competing coffeehouses and restaurants.

- The Company is dependent upon the ability to maintain and grow the current system of St. Louis franchisees and to obtain new qualifies operators to become franchisees. The Company's inability to successfully obtain qualified franchisees could adversely affect its business development. The Company's success is also dependent on its relationship with its franchisees, there can be no assurances that the Company will be able to maintain positive relationships with all of its franchisees.

- 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 and restaurants 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.

- 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 and restaurant operations.

- The Company does not currently have any agreement or commitment to acquire any new businesses, however Aegis continues to seek opportunities to acquire restaurant businesses that could complement its current operations.

A more detailed discussion of the risks and uncertainties is set out in the Company's annual information form dated March 20, 2023,which is available at www.sedar.com.

DEFINITIONS AND DISCUSSION ON CERTAIN NON-IFRS 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 notnecessarily 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 Companyuses 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 dollaramount on a single transaction at the coffeehouse).

Operating income (loss)
Operating income (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 input 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 input figures in accordance with IFRS. Management views these as indicators of financial performance.

Reconciliations of net loss, the most directly comparable IFRS financial measure, to operating loss, to EBITDA and adjusted EBITDA, to adjusted net loss and adjusted net loss per share are provided below.

Fourth Quarter – Aegis Brands

13 weeks ended December 25, 2022:

Net loss to operating loss:

(In thousands of Canadian dollars)	2022	2021
Net loss	$ (2,373)	$ (2,131)
Add (deduct):		
Net loss from discontinued operations	-	1,129
Income tax expense (recovery)	(1,460)	(292)
Interest and financing charges	956	163
Other loss (income)	(58)	(1,003)
Operating loss	$ (2,935)	$ (2,134)

Net loss to EBITDA and Adjusted EBITDA:

(In thousands of Canadian dollars)	2022	2021
Net loss	$ (2,373)	$ (2,131)
Add (deduct):		
Net loss from discontinued operations	-	1,129
Income tax expense (recovery)	(1,460)	(292)
Interest and financing charges	956	163
Other loss (income)	(58)	(1,003)
Depreciation of property and equipment	163	146
Amortization of intangible assets	109	-
Amortization of right-of-use assets	219	1
EBITDA	$ (2,444)	$ (1,987)
Add impact of the following:		
Asset impairment charges	646	2,184
Adjusted EBITDA	$ (1,798)	$ 197

Net loss to adjusted net loss:

(In thousands of Canadian dollars)	2022	2021
Net loss	$ (2,373)	$ (2,131)
Add (deduct):		
Net loss from discontinued operations	-	1,129
Asset impairment charges	646	2,184
Other loss (income)	(58)	(1,003)
Adjusted net loss	$ (1,785)	$ 179

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Net loss per share to adjusted net loss per share:

(In Canadian dollars)	2022	2021
Net loss per share	$ (0.09)	$ (0.09)
Add (deduct):		
Net loss per share from discontinued operations	$ -	$ 0.05
Asset impairment charges per share	$ 0.02	$ 0.09
Other loss (income) per share	$ (0.00)	$ (0.04)
Adjusted net loss per share	$ (0.07)	$ 0.01

Full Year – Aegis Brands

52 weeks ended December 25, 2022:

Net loss to operating loss:

(In thousands of Canadian dollars)	2022	2021
Net loss	$ (9,248)	$ (7,914)
Add (deduct):		
Net loss from discontinued operations	-	3,052
Income tax expense (recovery)	(1,460)	(404)
Interest and financing charges	1,239	493
Other loss (income)	(97)	(1,003)
Operating loss	$ (9,566)	$ (5,776)

Net loss to EBITDA and Adjusted EBITDA:

(In thousands of Canadian dollars)	2022	2021
Net loss	$ (9,248)	$ (7,914)
Add (deduct):		
Net loss from discontinued operations	-	3,052
Income tax recovery	(1,460)	(404)
Interest and financing charges	1,239	493
Other income	(97)	(1,003)
Depreciation of property and equipment	642	761
Amortization of intangible assets	109	-
Amortization of right-of-use assets	973	1,084
EBITDA	$ (7,842)	$ (3,931)
Add impact of the following:		
Asset impairment charges	5,261	2,184
Adjusted EBITDA	$ (2,581)	$ (1,748)

Net loss to adjusted net loss:

(In thousands of Canadian dollars)	2022	2021
Net loss	$ (9,248)	$ (7,914)
Add (deduct):		
Net loss from discontinued operations	-	3,052
Asset impairment charges	5,261	2,184
Other income	(97)	(1,003)
Adjusted net loss	$ (4,084)	$ (3,681)

Net loss per share to adjusted net loss per share:

(In Canadian dollars)	2022	2021
Net loss per share	$ (0.38)	$ (0.34)
Add (deduct):		
Net loss per share from discontinued operations	$ -	$ 0.13
Asset impairment charges per share	$ 0.22	$ 0.09
Other loss (income) per share	$ 0.00	$ (0.04)
Adjusted net loss per share	$ (0.16)	$ (0.16)