

Aegis Brands Inc.

Management's Discussion and Analysis

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 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 May 4, 2023 and is intended to assist in understanding the financial performance and financial condition of the Company for the 13 weeks ended March 26, 2023, and should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements of the Company for the 13 weeks ended March 26, 2023 and March 27, 2022 and the Audited Consolidated Financial Statements of the Company for the 52 weeks ended December 25, 2022, 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 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 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.

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

Aegis Brands Inc.

Management's Discussion and Analysis

TABLE OF CONTENTS	
CAUTION REGARDING FORWARD-LOOKING STATEMENTS	1
INTRODUCTION	1
CORE BUSINESS, STRATEGIC IMPERATIVES, AND KEY PERFORMANCE DRIVERS	3
HIGHLIGHTS OF SIGNIFICANT EVENTS	4
CAPABILITIES.....	4
SEGMENTED INFORMATION AND REPORTING	5
SELECTED ANNUAL INFORMATION	6
SUMMARY OF QUARTERLY RESULTS	7
CONSOLIDATED HIGHLIGHTS: CONTINUING OPERATIONS OF BRIDGEHEAD, ST. LOUIS AND AEGIS BRANDS	8
OPERATIONAL REVIEW	9
LIQUIDITY AND CAPITAL RESOURCES.....	11
EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES	15
CRITICAL ACCOUNTING ESTIMATES.....	16
RISKS AND UNCERTAINTIES.....	17
DEFINITIONS AND DISCUSSION ON CERTAIN NON-IFRS FINANCIAL MEASURES	19

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® 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. Fiscal year 2023 consists of 53 weeks.

Operating Brands

As of the end of the first quarter, 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 and 1 corporately owned restaurant.

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 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 bore interest of 11.0% per annum and had a maturity date of sixty (60) months from the closing of the Offering (the “Maturity Date”). The Debentures were 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.

Aegis Brands Inc.

Management's Discussion and Analysis

HIGHLIGHTS OF SIGNIFICANT EVENTS

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.

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 258 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 41 St. Louis team members at the Company’s home office which includes personnel employed in marketing, training and operations, development, procurement, business intelligence and corporate.

During the period, 1 franchised location was taken back by the franchisor and is now run as a corporate restaurant. This corporate restaurant employs 16 team members.

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.

Aegis Brands Inc.

Management's Discussion and Analysis

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 (the "Credit Facility") was made available to the Company at the financing rate of prime + 3.20%. This \$3,000,000 Credit Facility is secured by the assets of Bridgehead and was renewed on November 16, 2022.

The Company entered into a Development Line of Credit with CWB in fiscal 2021 in anticipation of acquiring more businesses in the food and beverage space. 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 March 26, 2023 and at May 4, 2023 there were 85,287,167 common shares issued and 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, revenue from the corporate restaurant, supplier contributions, advertising fund revenue, and other service fees.

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 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.

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.)	Q1 Mar. 26, 2023	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
Total Revenue-Bridgehead	\$3,530	\$4,052	\$3,373	\$3,240	\$2,542	\$3,396	\$2,864	\$2,383
Total Revenue-St. Louis	\$3,523	\$1,952	N/A	N/A	N/A	N/A	N/A	N/A
Net loss from continuing operations	(\$973)	(\$2,373)	(\$2,403)	(\$2,816)	(\$1,656)	(\$2,078)	(\$2,886)	(\$1,191)
Net earnings (loss) from discontinued operations	N/A	N/A	N/A	N/A	N/A	(\$1,129)	\$4,982	(\$3,910)
Net earnings (loss)	(\$973)	(\$2,373)	(\$2,403)	(\$2,816)	(\$1,656)	(\$3,207)	\$2,096	(\$5,101)
Basic loss per share from continuing operations	(\$0.02)	(\$0.09)	(\$0.10)	(\$0.12)	(\$0.07)	(\$0.09)	(\$0.12)	(\$0.05)
Basic earnings (loss) per share from discontinued operations	N/A	N/A	N/A	N/A	N/A	(\$0.05)	\$0.21	(\$0.17)
Total basic and diluted earnings (loss) per share	(\$0.02)	(\$0.09)	(\$0.10)	(\$0.12)	(\$0.07)	(\$0.14)	\$0.09	(\$0.22)
Number of weighted average common shares issued and outstanding, in thousands	61,843	27,745	23,230	23,230	23,230	23,066	23,199	22,916

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. The St. Louis revenue in Q1 2023 was by 80% greater than the revenue in Q4 2022 as a result of owning St. Louis for the full quarter versus 39 days.

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 2022, revenue recovered in Q2 and increased again in Q3. Q4 2022 followed the seasonal trend of being the highest revenue generating quarter.

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, 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 Unaudited Condensed Interim Consolidated Financial Statements of the Company.

(In thousands of Canadian dollars, except same coffeehouse sales, number of coffeehouses and restaurants, per share amounts, and number of common shares.)	13 weeks ended March 26, 2023	13 weeks ended March 26, 2022
System sales of coffeehouses and other sales	\$ 3,056	\$ 1,986
Same coffeehouse sales ^{1,2}	37.2%	12%
Number of coffeehouses - end of period	21	21
St. Louis Revenue	\$ 3,523	\$ -
Number of restaurants - end of period	75	-
Total revenue	\$ 7,053	\$ 2,542
Operating costs and expenses	\$ 8,026	\$ 4,319
Operating loss ¹	\$ (973)	\$ (1,777)
EBITDA ¹	\$ 684	\$ (1,360)
Adjusted EBITDA ¹	\$ 645	\$ (971)
Net loss	\$ (973)	\$ (1,656)
Adjusted net loss ¹	\$ (1,012)	\$ (1,267)
Basic and diluted loss per share as reported	\$ (0.02)	\$ (0.07)
Adjusted basic and diluted loss per share ¹	\$ (0.02)	\$ (0.05)
Total assets - end of period	\$ 71,211	\$ 18,872
Number of weighted average common shares issued and outstanding	61,843,434	23,230,227

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.

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 Bridgehead coffeehouses.

% of Annual system sales of coffeehouses	
First Quarter 2023	24.7
Second Quarter 2022	22.7
Third Quarter 2022	23.9
Fourth Quarter 2022	28.7
	100.0

Coffeehouses/location network

	13 weeks ended March 26, 2023	13 weeks ended March 27, 2022
Number of locations – beginning of period	95	21
Locations opened	1	-
Locations closed	-	-
Number of locations - end of period	96	21

The Company ended the 13 weeks ended March 26, 2023 with 21 coffeehouses, 74 St. Louis franchised locations and 1 St. Louis corporate location.

Aegis Brands Inc.

Management's Discussion and Analysis

First Quarter

System sales of coffeehouses

System sales of coffeehouses for the 13 weeks ended March 26, 2023 were \$3,056,000 compared to \$1,986,000 in the prior year, representing an increase of \$1,070,000 (53.9%). This increase is directly tied to the COVID-19 restrictions present in the first quarter of 2022 due to the Omicron variant as well as the overall easing of restrictions and increased foot traffic since Omicron.

Same coffeehouse sales

During the 13 weeks ended March 26, 2023, same coffeehouse sales at Bridgehead locations increased by 37.2% over 2022, due to the COVID-19 restrictions present in the first quarter of 2022 as a result of the Omicron variant and the overall easing of restrictions and increase in foot traffic.

Analysis of revenue

The Bridgehead brand generated revenue for the Quarter of \$3,530,000 (2022 - \$2,542,000), an increase of \$988,000 or 38.9%. The breakdown of sales by revenue channel is as follows:

	13 weeks ended March 26, 2023	13 weeks ended March 27, 2022
Coffeehouses	\$ 3,056	\$ 1,986
Wholesale	340	373
E-commerce	134	183
	\$ 3,530	\$ 2,542

The St. Louis brand generated revenue for the Quarter of \$3,523,000. The breakdown of sales by revenue channel is as follows:

	13 weeks ended March 26, 2023
Royalties	\$ 1,277
Advertising fund contributions	620
Other franchise revenue	1,626
	\$ 3,523

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 Quarter totaled \$7,017,000 (2022 - \$4,319,000). Included in this amount was coffeehouse and restaurant cost of sales: cost of sales, direct labour, occupancy and other which totaled \$3,299,000 (2022 - \$2,601,000), representing an increase of \$698,000 or 26.8%. 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 \$3,109,000 (2022 - \$913,000), an increase of \$2,196,000. The majority of the increase relates to the St. Louis expenses such as office personnel, and general and administrative costs associated with the brand that were not in the 2022 results.

Other expenses of \$609,000 (2022 - \$805,000), represents a decrease of \$196,000. This decrease is mostly due to the fair value revaluation of the investment in Kiaro in the first Quarter of 2022.

Aegis Brands Inc.

Management's Discussion and Analysis

EBITDA

EBITDA for the first quarter was \$684,000 compared to an EBITDA loss of \$1,360,000 in the comparable quarter in 2022. Adjusted for asset impairment charges and revaluation of securities, EBITDA for the first quarter was \$645,000 compared to an EBITDA loss of \$971,000 in the comparable quarter in 2022. The improvement in EBITDA is primarily attributed to the addition of the St. Louis business.

Interest and Financing Costs

The Company reported net interest and financing costs of \$1,009,000 in the first 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 \$973,000 for the first quarter or \$0.02 per share. Adjusted for the revaluation of securities, the net loss was \$1,012,000 or \$0.02 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."

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

	13 weeks ended March 26, 2023	13 weeks ended March 27, 2022
Cash used in operating activities – continuing operations	\$ (1,252)	\$ (1,112)
Cash used in operating activities	(1,252)	(1,112)
Cash used in investing activities – continuing operations	(2)	-
Cash used in investing activities	(2)	-
Cash provided by (used in) financing activities – continuing operations	(660)	214
Cash provided by (used in) financing activities	(660)	214
Net decrease in cash and cash equivalents during the period	\$ (1,914)	\$ (898)

The Company used \$1,252,000 cash in its operating activities. The net loss for the quarter as well as the changes in non-cash working capital contributed to the cash used. The net loss is primarily related to the interest payments made on long-term debt and convertible debentures of \$967,000.

Cash used in investing activities was \$2,000 and consisted of a small asset purchase.

Cash used in financing activities of \$660,000 is comprised of lease payments.

Aegis Brands Inc.

Management's Discussion and Analysis

Working capital as at

	March 26, 2023	December 25, 2022
Current assets	\$ 8,324	\$ 10,092
Current liabilities	<u>10,164</u>	<u>10,869</u>
Working capital	<u>\$ (1,840)</u>	<u>\$ (777)</u>

The Company has a net working capital deficiency of \$1,840,000 at March 26, 2023 compared to a working capital deficiency balance of \$777,000 at December 25, 2022. The change in the working capital deficiency relates to the cash position decreasing by \$1,914,000 as well as the short-term portion of long-term debt increasing by \$480,000 as the first six months of the DLOC facility were interest-only payments.

The Company has unrestricted cash and cash equivalents of \$906,000 as at March 26, 2023 (December 25, 2022 - \$2,087,000). As at March 26, 2023, the Company has cash held in short-term deposits of \$2,622,000 (December 25, 2022 - \$3,022,000). The Company has segregated cash of \$1,066,000 (December 25, 2022 - \$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
<i>Financial assets</i>	
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
<i>Financial liabilities</i>	
Accounts payable and accrued liabilities	Liquidity
Short-term debt	Liquidity
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.

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

Aegis Brands Inc.

Management's Discussion and Analysis

- 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 13 weeks ended March 26, 2023.

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 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 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") was made available to the Company, which is secured by the assets of Bridgehead. The Credit Facility is currently undrawn, leaving Aegis with \$3,000,000 of available credit for short-term needs.

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.

Aegis Brands Inc.

Management's Discussion and Analysis

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 March 26, 2023 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 March 26, 2023 and expected loan payments.

Obligations from Operating Leases

With the adoption of IFRS 16, leases are reported in the unaudited condensed interim 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 \$1,183,000 (2022 - \$808,000) 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.

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 May 4, 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 March 26, 2023 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 13 weeks ended March 26, 2023 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 Unaudited Condensed Interim Consolidated Financial Statements for external purposes in accordance with IFRS.

As at May 4, 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 March 26, 2023, 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 13 weeks ended March 26, 2023 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 unaudited condensed interim 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 unaudited condensed interim 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.
- 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

(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

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.

Aegis Brands Inc.

Management's Discussion and Analysis

(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 at fair 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

Aegis Brands Inc.

Management's Discussion and Analysis

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 as 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 qualified 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.

Aegis Brands Inc.

Management's Discussion and Analysis

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 not necessarily comparable to similarly titled measures reported by other issuers.

System sales of coffeehouses

System sales of coffeehouses are comprised of 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).

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.

Aegis Brands Inc.

Management's Discussion and Analysis

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.

First Quarter

13 weeks ended March 26, 2023 and March 27, 2022:

Net loss to operating loss:

(In thousands of Canadian dollars)	2023	2022
Net loss	\$ (973)	\$ (1,656)
Add (deduct):		
Income tax recovery	-	(219)
Interest and financing charges	1,009	98
Operating income (loss)	\$ 36	\$ (1,777)

Net loss to EBITDA and Adjusted EBITDA:

(In thousands of Canadian dollars)	2023	2022
Net loss	\$ (973)	\$ (1,656)
Add (deduct):		
Income tax recovery	-	(219)
Interest and financing charges	1,009	98
Depreciation of property and equipment	158	165
Amortization of intangible assets	255	-
Amortization of right-of-use assets	235	251
EBITDA	\$ 684	\$ (1,360)
Add impact of the following:		
Revaluation of securities	(39)	389
Adjusted EBITDA	\$ 645	\$ (971)

Net loss to adjusted net loss:

(In thousands of Canadian dollars)	2023	2022
Net loss	\$ (973)	\$ (1,656)
Add (deduct):		
Revaluation of securities	(39)	389
Adjusted net loss	\$ (1,012)	\$ (1,267)

Net loss per share to adjusted net loss per share:

(In Canadian dollars)	2023	2022
Net loss per share	\$ (0.02)	\$ (0.07)
Add (deduct):		
Revaluation of securities per share	\$ (0.00)	\$ (0.02)
Adjusted net loss per share	\$ (0.02)	\$ (0.05)