



Aegis Brands Inc.

Consolidated Financial Statements

52 Week Period Ended December 28, 2025 and December 29, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aegis Brands Inc.:

Opinion

We have audited the consolidated financial statements of Aegis Brands Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at December 28, 2025 and December 29, 2024, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flow for the 52-week periods then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 28, 2025 and December 29, 2024, and its consolidated financial performance and its consolidated cash flows for the 52-week periods then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 52-week period ended December 28, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets for St. Louis Franchise Cash Generating Unit	
Refer to Notes 12 and 22 (in thousands of dollars)	Our approach to addressing the matter included the following procedures, among others:
As of December 28, 2025, the Company had trademarks of \$22,000, contracts of \$17,231 (net of amortization) and goodwill of \$7,430 allocated to the St. Louis Franchise cash generating unit, consisting of the St. Louis Franchise (together the "SLF CGU"). Finite-lived intangible assets are assessed for any indications of impairment at the end of each reporting period. Trademarks and goodwill are assessed for impairment annually, or more frequently if events or circumstances indicate that the carrying amount may be impaired. Management performed its annual impairment test for the SLF CGU as at November 30, 2025. The recoverable amount for the SLF CGU was based on value in use using a discounted cash flow model. The significant assumptions applied by management in determining the value in use included revenue projections, a revenue growth rate and a discount rate. The recoverable amount of the SLF CGU exceeded its carrying amount and accordingly, no impairment was recognized. We considered this a key audit matter due to the judgment by management in determining the recoverable amount, including the use of significant assumptions. This, in turn, led to a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions.	Evaluated how management determined the recoverable amount of the SLF CGU, which included the following procedures: • Tested the appropriateness of the value in use method used and the mathematical accuracy of the discounted cash flow model. • Tested the reasonableness of the estimated cash flows by considering data of comparable entities, historical performance of the Company and the budget approved by management. • Tested the reasonableness of the terminal growth rate and forecasted growth rate of sales applied by management in the discounted cash flow model by comparing to past performance and external market data. • Tested the underlying data and inputs used in the discounted cash flow model including the reasonableness of the projections and sensitivity of the inputs to changes in key assumptions. • Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate applied by management based on available data for comparable companies.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, B.C.
March 5, 2026

Consolidated Statements of Financial Position
As at December 28, 2025, and December 29, 2024
(Expressed in thousands of Canadian dollars)

ASSETS	2025	2024
Current assets		
Cash and cash equivalents (Note 8)	\$ 1,381	\$ 1,863
Trade, notes, leases and other receivables (Note 9)	3,111	2,437
Prepaid expenses and other assets	326	349
Assets held for sale (Note 10)	675	883
Assets of discontinued operations held for sale (Notes 2 and 30)	<u>437</u>	<u>947</u>
	5,930	6,479
Non-current assets		
Notes and leases receivable (Note 9)	2,734	1,834
Property and equipment (Note 11)	117	114
Right-of-use assets (Note 11)	151	233
Intangible assets (Note 12)	39,231	40,251
Goodwill (Note 12)	<u>7,430</u>	<u>7,430</u>
Total assets	<u>\$ 55,593</u>	<u>\$ 56,341</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	\$ 2,455	\$ 3,109
Lease liabilities (Note 15)	870	822
Short-term debt (Note 16)	-	600
Current portion of long-term debt (Note 17)	2,811	2,841
Deferred revenue (Note 14)	1,767	1,712
Liabilities directly associated with assets held for sale (Note 10)	564	303
Liabilities of discontinued operations held for sale (Notes 2 and 30)	<u>331</u>	<u>1,265</u>
	8,798	10,652
Non-current liabilities		
Provisions (Note 15)	462	487
Lease liabilities (Note 15)	2,693	1,918
Long-term debt (Note 17)	<u>20,960</u>	<u>23,657</u>
Total liabilities	<u>32,913</u>	<u>36,714</u>
SHAREHOLDERS' EQUITY	<u>22,680</u>	<u>19,627</u>
Total liabilities and shareholders' equity	<u>\$ 55,593</u>	<u>\$ 56,341</u>

See accompanying notes to the consolidated financial statements.
Contingencies, commitments and guarantees (Note 28)

Approved by the Directors on March 5, 2026

Anthony Longo, Director

Stephen Kelley, Director

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in thousands of Canadian dollars, except per share amounts)

	<u>2025</u>	<u>2024</u>
Revenue (Note 18)	\$ 17,303	\$ 17,913
Operating costs and expenses (Note 19)		
Cost of sales	-	2,061
General and administrative expenses	11,316	10,835
Depreciation of property and equipment	61	48
Amortization of right-of-use assets	82	205
Amortization of intangible assets	<u>1,020</u>	<u>1,020</u>
Total operating costs and expenses	<u>12,479</u>	<u>14,169</u>
Income from continuing operations, before other income and expenses and income taxes	4,824	3,744
Other income (expenses)		
Gain on sublease (Note 20)	353	-
Gains on disposals (Note 20)	-	1,013
Interest and financing expense (Note 21)	(1,943)	(2,683)
Restructuring costs (Note 24)	-	(613)
Other income	<u>35</u>	<u>21</u>
Income from continuing operations	3,269	1,482
Discontinued operations, net of tax		
Bridgehead Coffee (Notes 2 and 30)	-	(197)
Wing City (Notes 2 and 30)	<u>(274)</u>	<u>(2,580)</u>
Loss from discontinued operations, net of tax	<u>(274)</u>	<u>(2,777)</u>
Net and comprehensive income (loss) for the period	\$ <u>2,995</u>	\$ <u>(1,295)</u>
Basic and diluted income per share – continuing operations (Note 26)	\$ 0.04	\$ 0.02
Basic and diluted loss per share – discontinued operations (Note 26)	\$ <u>(0.00)</u>	\$ <u>(0.03)</u>
Basic and diluted income (loss) per share (Note 26)	<u>\$ 0.04</u>	<u>\$ (0.01)</u>

See accompanying notes to the consolidated financial statements.

Aegis Brands Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in thousands of Canadian dollars, except per share amounts)

	<u>Common Shares</u>	<u>Share Capital</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2023	85,287,167	\$ 59,338	\$ 62,387	\$ (100,864)	\$ 20,861
Net and comprehensive loss	-	-	-	(1,295)	(1,295)
Stock option expense (Note 31)	-	-	61	-	61
Balance, December 29, 2024	<u>85,287,167</u>	<u>\$ 59,338</u>	<u>\$ 62,448</u>	<u>\$ (102,159)</u>	<u>\$ 19,627</u>
Net and comprehensive income	-	-	-	2,995	2,995
Stock option expense (Note 31)	-	-	58	-	58
Balance, December 28, 2025	<u>85,287,167</u>	<u>\$ 59,338</u>	<u>\$ 62,506</u>	<u>\$ (99,164)</u>	<u>\$ 22,680</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flow

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	2025	2024
Operating activities		
Net income (loss) for the period	\$ 2,995	\$ (1,295)
<i>Adjusted for:</i>		
Net loss from discontinued operations	274	2,777
Net income from continuing operations	3,269	1,482
<i>Items not involving cash</i>		
Depreciation of property and equipment (Note 11)	61	48
Amortization of right-of-use assets (Note 11)	82	205
Amortization of intangible assets (Note 12)	1,020	1,020
Amortization of financing costs (Note 17)	23	21
Stock option expense (Note 31)	58	61
Interest expense – lease liabilities (Note 21)	308	341
Interest income – lease receivable (Note 21)	(285)	(284)
Gains on disposals (Note 20)	-	(1,013)
Gain on sublease (Note 20)	(353)	-
Changes in non-cash working capital and other (Note 27)	(1,414)	757
Cash provided by operating activities – continuing operations	2,769	2,638
Cash used in operating activities – discontinued operations	30	(2,918)
Cash provided by (used in) operating activities	2,799	(280)
Investing activities		
Acquisition of property and equipment	(782)	(749)
Proceeds received on sale of property	1,079	1,145
Cash provided by investing activities – continuing operations	297	396
Cash provided by investing – discontinued operations	-	3,054
Cash provided by investing activities	297	3,450
Financing activities		
Proceeds of short-term debt (Note 16)	400	600
Repayment of short and long-term debt (Note 17)	(3,751)	(2,403)
Lease payments (Note 15)	(96)	(203)
Cash used in financing activities – continuing operations	(3,447)	(2,006)
Cash used in financing activities – discontinued operations	(131)	(555)
Cash used in financing activities	(3,578)	(2,561)
Increase (decrease) in cash and cash equivalents during the period – continuing operations	(381)	1,028
Decrease in cash and cash equivalents during the period – discontinued operations	(101)	(419)
Increase (decrease) in cash and cash equivalents during the period	(482)	609
Cash and cash equivalents – Beginning of the period	1,863	1,254
Cash and cash equivalents – End of the period (Note 8)	\$ 1,381	\$ 1,863
Supplementary information		
Interest paid	\$ 1,967	\$ 2,360
Income taxes paid	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

1. Organization and nature of business

Aegis Brands Inc. (the “Corporation” or “Aegis”) (together with its subsidiaries, the “Company”) currently owns and operates St. Louis Bar & Grill (“St. Louis”). The St. Louis franchise business is operated by the Corporation’s wholly-owned subsidiary SLF Operations LP. The acquisition and construction of second generation locations for resale is operated by the Corporation’s wholly-owned subsidiary 2707048 Ontario Corporation.

Aegis is a Canadian public company incorporated under the Business Corporations Act (Ontario) in 2011. The Company’s registered and principal office is at 703 Evans Avenue, Suite 501, Etobicoke, Ontario M9C 5E9. The Company’s website is www.aegisbrands.ca. The Company’s common shares trade on the Toronto Stock Exchange under the ticker symbol “AEG”. Each existing certificate reflecting the Company’s prior name The Second Cup Ltd. continues to present a valid certificate until such certificate is transferred, re-registered or otherwise exchanged.

As of December 28, 2025, the Company had 81 franchised St. Louis locations, all which operate under the St. Louis Bar & Grill brand.

On March 8, 2024, the Company closed the sale of substantially all the assets of the Bridgehead business. The operations of Bridgehead have been presented as discontinued operations and has been further referenced in Note 2.

On August 21, 2024, management closed the Wing City businesses. During the third quarter of 2025, an agreement to sublease was signed for one of the leases. Subsequent to the reporting date, on February 20, 2026, the Company completed the sale of the assets related to Wing City and the related lease liabilities were extinguished. The operations of Wing City have been presented as discontinued operations and has been further referenced in Note 2 and Note 33.

2. Held for Sale and Discontinued Operations

On March 8, 2024, the Company sold substantially all the assets of the Bridgehead business to an affiliate of Pilot Coffee Roasters Inc. (“Pilot”) for \$3,500,000 in cash payable on closing (subject to customary closing adjustments).

The following table summarizes the gain recorded on the sale of the Bridgehead assets:

Net proceeds received on sale	\$	3,124
Net assets disposed		(3,079)
Adjustments post-closing		129
Gain on sale	\$	174

The results of the discontinued operations are as follows:

	52 weeks ended Dec 28, 2025	52 weeks ended Dec 29, 2024
Revenue	\$ -	\$ 2,832
Expenses	-	(3,203)
Gain on sale	-	174
Loss from discontinued operations	\$ -	\$ (197)

On August 21, 2024, management closed the Wing City businesses. During the second quarter of 2025, the Corporation negotiated a modification of one of the leases and the resulting change in the remeasurement of the ROU liability was an adjustment to the ROU asset. Subsequently in the third quarter, the Corporation entered into a sublease, derecognizing the related ROU asset and recognizing an investment in sublease. The difference between the ROU asset and the net investment in the sublease has been recognized as a gain on sublease in continuing operations.

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

In accordance with IFRS 5, the Company classified this disposal group of assets as held for sale on the consolidated statement of financial position at December 29, 2024 and has presented the after-tax loss from discontinued operations as a single amount in the current and comparative consolidated statement of operations and comprehensive loss.

The Company had measured the disposal group classified as held for sale at the lower of its carrying amount and fair value less costs of disposal of \$907,000.

The following table summarizes management's best estimate of the net realizable value of the net assets of the Wing City businesses at December 28, 2025 and December 29, 2024:

	December 28 2025	December 29 2024
Prepaid expenses and other assets	\$ 43	\$ 90
Property and equipment	104	150
ROU assets	290	707
Assets of discontinued operations held for sale	<u>\$ 437</u>	<u>\$ 947</u>
Accounts payable and accrued liabilities	\$ 37	\$ 30
Lease liabilities	294	1,235
Liabilities of discontinued operations held for sale	<u>\$ 331</u>	<u>\$ 1,265</u>
Net assets (liabilities) of discontinued operations held for sale	<u>\$ 106</u>	<u>\$ (318)</u>

The results of the discontinued operations are as follows:

	December 28 2025	December 29, 2024
Revenue	\$ -	\$ 355
Expenses	(193)	(1,332)
Impairment charge	(81)	(1,603)
Loss from discontinued operations	<u>\$ (274)</u>	<u>\$ (2,580)</u>

3. Material accounting policies

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period. The functional currency of the Corporation and its subsidiaries is the Canadian dollar. The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 5, 2026.

The Company's fiscal year (the "period" or "year") follows the method implemented by many retail entities, such that each quarter consists of 13-weeks and ends on the Sunday closest to the calendar quarter-end. The fiscal year is made up of 52 or 53-week periods ending on the last Sunday of December. Fiscal 2025 and 2024 are 52-week periods. The Company's results in fiscal 2025 reflect the consolidated financial statements of Aegis and the St. Louis brand, with the Wing City brand and the Bridgehead brand presented as discontinued operations.

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

b. Segmented information and reporting

The Company's retail brands operate as independent brands. Financial results and business performance indicators are provided to the Chief Executive Officer for each brand, and hence each brand represents its own reportable segment. The financial results of the brands are reported on a consolidated basis in these consolidated financial statements, with the Wing City and Bridgehead segments presented as discontinued operations (see Note 30). The Company's consolidated operating revenues from continuing operations are comprised of the sales of goods from Company-operated restaurants, the sale of goods through retail and other ancillary channels, royalties from the St. Louis franchisees, supplier contributions, and other service fees. The Company's consolidated operating revenues from discontinued operations are comprised of the sales of goods from Company-operated coffeehouses and Wing City restaurants and the sale of goods through retail and other ancillary channels of the Bridgehead business. Management is organized based on the Company's operating brands rather than the specific revenue streams.

c. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiaries, including corporations and partnerships which all were formed and operate in Canada:

- Bridgehead (2000) Inc.
- 2707048 Ontario Corporation
- SLF Operations GP Inc.
- SLF Operations Limited Partnership
- SLF IP Operations Inc.
- SLF Corporate Stores Limited Partnership
- Wing City by St. Louis Limited Partnership

The entity is required to consolidate entities it controls. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins on the date that control is acquired by a Company over the subsidiary and ceases when the Company loses control of the subsidiary. The income and expenses of new subsidiaries acquired or disposed during the period, as well as new subsidiaries incorporated during the period under Aegis Brands, are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intercompany transactions, including revenue and expenses, were eliminated on preparation of these consolidated financial statements.

d. Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which; represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale or distribution.

When an operation is classified as a discontinued operation, the comparative consolidated statements of operations and comprehensive loss are re-presented as if the operation had been discontinued from the start of the comparative year.

The Company's discontinued operations are excluded from the results of continuing operations and are presented as a single amount, after income taxes, as net earnings from discontinued operations in the consolidated statements of operations and comprehensive loss.

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

e. Financial statement line items

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when obligations are discharged, cancelled or they expire.

Financial assets and liabilities are offset, and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Hedge accounting is not used.

All financial assets are initially measured at fair value. Financial assets classified as fair value through profit or loss ("FVTPL") are measured at fair value with any gain or loss recognized in profit or loss. Financial assets classified as fair value through other comprehensive income ("FVTOCI") are subsequently measured at fair value with any subsequent remeasurement recognized in other comprehensive income. When FVTOCI financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets held in order to collect contractual cash flows and where the contractual cash flows are solely payments of principal and interest are classified and subsequently measured at amortized cost. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified and subsequently measured at FVTPL, FVTOCI or at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or financial liability and in the allocation and recognition of the interest revenue or expense in profit or loss over the relevant period. The Company has classified its financial instruments as follows:

Financial Instruments

Financial assets

Cash and cash equivalents
Trade and other receivables
Notes receivable

Recognition method

Amortized cost
Amortized cost
Amortized cost

Financial liabilities

Accounts payable and accrued liabilities
Short and Long-term debt

Amortized cost
Amortized cost

f. Comparative information

During the current period, management reclassified gains on disposals of \$nil (2024 - \$1,013,000) from operating costs and expenses to other income and expenses as this is more reflective of the nature and frequency of these transactions. There was no change to income from continuing operations.

g. Leases receivable

The leases receivable balance primarily relates to leases that the Company has entered into with the landlord and has subsequently entered into a sublease agreement with the tenant. IFRS 16, Leases ("IFRS 16") requires the Company, as an intermediate lessor, to classify a sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying property. The lease receivable for the sublease was measured at the amount equal to the lease liability and includes the underlying interest income resulting from the sublease agreement.

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

h. Property and equipment

Property and equipment are stated at cost less accumulated depreciation net of any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying value of a replaced asset is removed when replaced. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred. Where property and equipment construction projects are of a sufficient size and duration, an amount is capitalized for the costs used to finance construction.

Depreciation is calculated using the straight-line basis as this approach best reflects consumption and benefit patterns pertaining to the asset's use. Depreciation is charged commencing when the asset is available for use. The following rates are based on the expected useful lives of the assets:

Leasehold improvements	Lesser of 10 years and the remaining term of lease
Equipment, furniture, fixtures, and other	3 to 7 years
Computer hardware	3 years

i. Right-of-use assets

IFRS 16 requires the Company, as a lessee for Company-operated restaurants as well as the Home Office lease to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value; and recognize depreciation for lease assets separately from interest on lease liabilities within profit or loss. Right-of-use assets are measured at cost which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The balance of the Company's right-of-use assets is presented net of impairment recorded on the consolidated statements of financial position.

j. Intangible assets

Intangible assets consist of trademarks and software, which are recorded at cost and subsequently amortized or assessed for impairment as follows:

(i) Trademarks

Trademarks consist of trade names, operating procedures and systems and other intellectual property used in connection with the operation of the St. Louis Bar and Grill in Canada and are recorded at the historical cost less impairment write-downs. Trademarks are tested annually for impairment or at any time an indicator of impairment exists. The trademark assets do not have continual renewal requirements nor is there any deterioration incurred due to usage.

(ii) Contracts

Contract assets consist of franchise agreements as well as supplier contracts and are recorded at cost less accumulated amortization. Contract assets are considered to have a life of 20 years and are amortized on a straight-line basis.

(iii) Software

Purchased software is recorded at cost and amortized commencing when the asset is available for use. Amortization is calculated using the straight-line basis as management believes this approach best reflects consumption and benefit patterns pertaining to its use. The amortization rate is based on the expected useful life of the asset of 3-7 years.

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(iv) Goodwill

The Company has recorded Goodwill on its consolidated statement of financial position, which is carried at cost net of impairment losses.

k. Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

l. Income taxes

Income taxes comprise current and deferred taxes. Income taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current income taxes are the expected taxes payable on the taxable income for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as at the reporting date. Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied on the same taxable entity by the same taxation authority.

A deferred tax asset is recognized for unused tax losses and tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

m. Deferred revenue

The gift card program allows customers to prepay for future purchases by loading a dollar value onto their gift cards through cash or credit/debit cards in the restaurants or online through credit cards, when and as needed. The gift card liability represents liabilities related to unused balances on the card net of estimated breakage. These balances are included as revenue at the time the customer redeems the amount in a restaurant for products. Gift cards do not have an expiration date and outstanding unused balances are not depleted for the Company's guests and will be honored regardless of activation date.

The determination of the gift card breakage rate is based upon Company-specific historical load and redemption patterns. The Company has calculated a breakage rate of 1.19% in fiscal 2025 based on historical redemption patterns for St. Louis. Gift card breakage is recognized on a pro rata basis based on historical gift card redemption patterns. St. Louis administers the gift card program for its franchisees by collecting the funds from gift cards purchased and repaying franchisees when gift cards are redeemed. St. Louis holds these funds in a separate bank account and funds are collected or repaid monthly from and to the franchisees.

n. Lease liabilities

The Company enters into leases for its corporate restaurants, its Home Office, as well as equipment in the normal course of business operations. The Company has measured its lease liabilities at the net present value of its future lease payments, including fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if reasonably certain to exercise that option,

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and payments of penalties for terminating the lease, if the lease term reflects exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The non-cash interest expense on the lease liability is recorded in profit or loss.

o. Revenue recognition

Revenue recognition is based on a five-step approach which includes identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when the relevant performance obligations are satisfied. Revenue is reduced for estimated customer returns, rebates, and other revenue related concessions.

Included in revenue related to continuing operations is revenue from Company-owned restaurants, supplier contributions, franchise and royalty fees, as well as other sales relating to the St. Louis business including products sold online through the Company website, as well as products sold in grocery stores through wholesale distribution channels and third-party licensing agreements.

Corporate restaurant and wholesale revenue is recognized at a point in time when the services are rendered, and the product is sold to the end consumer. Payment is collected at the time of sale and the consideration received is unconditional. For restaurant sales, the end customer is considered to be the guest whereas for wholesale, the end customer is the distributor.

Royalty and Advertising Fund revenue from franchised locations is based on agreed percentage rates of the franchise location sales. Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. For Advertising Fund revenue, revenue is recognized at the point in time when the performance obligations are completed, in accordance with IFRS 15, which is when the corresponding expenses are incurred.

The Company generates supplier contributions on agreed upon terms made with vendors based on multiple factors. Signing bonuses are received at the time of signing of the contract and are recognized on a straight-line basis over the term of the contract. Other revenue includes franchise fees, services and other fees which consist of initial franchise fees, renewal fees, construction administration fees, and other ancillary fees (such as training fees). This revenue is recognized on an accrual basis in accordance with the relevant agreement, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

p. Directors' deferred share unit plan

Units granted under the Directors' deferred share unit ("DSU") plan have graded vesting for each month of service completed over the course of one year. Units are paid out in cash upon the Director's departure from the Board. Units are granted based on a weighted average price of the Company's shares on the five most recent days preceding the grant date. The fair value of the grants is amortized over the respective vesting period using the graded amortization method. Any dividends paid during the vesting period are accrued based on the total number of units granted. Amounts recognized are recorded in general and administrative expenses. Recorded values of the plan are presented as accounts payable and accrued liabilities in the consolidated statements of financial position. All but one of the Directors currently receive their Directors' fees in cash, with one receiving their fees half in cash and half in DSUs. The balance in the Directors' deferred share unit plan relates to the balance owing to Directors who haven't had their DSU balance settled.

This DSU balance is revalued every quarter based on the current market price of Aegis shares until it is paid out in accordance with the terms of the plan.

q. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

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At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit loss (ECL) if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month ECL. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of the ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

r. Impairment of non-financial assets

Property and equipment, intangible assets with finite lives, and right-of-use assets (resulting from the Company-owned restaurants and lease commitments) are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Assets with indefinite lives, and goodwill are subject to an annual impairment test or any time an impairment indicator exists. November 30th has been selected as the mandatory annual test date.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets, which represent a cash generating unit (CGU). The recoverable amount of each particular CGU is the higher of its fair value less costs of disposal and value in use.

The impairment analysis involves comparing the carrying value of a CGU with its estimated recoverable amount. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount. Impairment losses for a CGU reduce first the carrying value of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. Impairment losses, other than goodwill impairment, are evaluated for potential reversals when events or circumstances warrant such consideration.

s. Share-based compensation

For share option awards granted as part of the stock option plan, fair value is determined at the date of grant and that fair value is recognized in profit or loss over the vesting period. Proceeds arising from the exercise of share option awards are credited to share capital, as are the recognized grant-date fair values of the exercised share option awards. Share option awards that are determined to be settled on a net-equity basis are accounted for as equity instruments. Share option awards that are determined to be settled on a net-cash settlement basis are accounted as liability instruments. The stock option plan was introduced in May 2014, was since Amended and Restated and approved at the Annual and Special Meeting of Shareholders in fiscal 2020, and was ratified again at the Annual Meeting of Shareholders in fiscal 2023. The Amended and Restated Stock Option Plan ("the Plan") is substantially the same as the original Stock Option Plan, except for amendments, including: the replacement of the fixed limit of 990,304 Shares issuable under the Stock Option Plan with a new limit consisting of 10% of the then total issued and outstanding Shares of the Company, effectively converting the Amended and Restated Stock Option Plan into an "evergreen" plan.

t. Accounting standards issued but not yet applied

The following are the standards, amendments, and interpretations that the Company expects may be applicable at a future date and, if so, intends to adopt when they become effective. Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure of Financial Statements ("IFRS 18"), which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into the three defined categories of operating, investing and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. Retrospective application is required,

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and early application is permitted. We are currently assessing the effect of this new standard on our consolidated financial statements.

In May 2024, the IASB issued *Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures*. The amendments clarify that a financial liability is derecognized on the settlement date and introduce an accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date. Other clarifications include guidance on the classification of financial assets with ESG-linked features, non-recourse loans and contractually linked instruments. The amendments are effective for annual periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets (for contingent features). The Company is currently in the process of assessing the impact of the amendments on the consolidated financial statements and notes to the consolidated financial statements.

4. Critical accounting estimates, assumptions, and use of judgement

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, property, equipment, trademark, contracts, and goodwill;
- share-based compensation;
- provisions;
- the estimated useful lives of tangible and intangible assets; and
- the allowance for credit losses.

(i) Impairment Charges

Impairment analysis is an area involving management judgement in determining the recoverable amount of an asset. The recoverable amount of a 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; and
- applying judgement in cash flows specific to CGUs.

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 taxes

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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 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 tax balances and expenses.

(iii) Estimated useful lives

The useful lives of property and equipment and contracts 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 and contract assets 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 and amortization recorded in respect of the Company's property and equipment and contracts in the future.

(iv) Share-based compensation

The measurement of share-based compensation in accordance with IFRS 2 requires management to make significant estimates and assumptions in determining the grant-date fair value of awards using an option pricing model. Key assumptions include expected volatility, expected term, risk-free interest rate, expected dividends and forfeiture rates.

(v) Provisions

The recognition and measurement of provisions require management to exercise judgment in assessing whether a present obligation exists and whether an outflow of resources is probable. Provisions are recorded at management's best estimate of the expenditure required to settle the obligation at the reporting date. Changes in assumptions or outcomes may result in adjustments in future periods.

(vi) Allowance for credit losses

The allowance for credit losses requires management judgment and estimation under IFRS 9's simplified approach, and has calculated expected credit losses 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 which is further referenced in Note 9.

5. Share capital

The Company is authorized to issue an unlimited number of common shares. Common shares are classified as equity and have no par value. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds.

On July 3, 2019, in accordance with the terms of the employment agreement with the Company's President and CEO, the Company issued Mr. Steven Pelton 515,241 common shares in the capital of the Company at \$1.70 per share. Mr. Pelton paid \$200,000 in cash for 117,641 shares and 397,600 shares were paid with the proceeds of two loans advanced to Mr. Pelton by the Company – a five-year loan of \$500,000 repayable in June 2024 and a one-year loan of \$176,000 repayable in June 2020, both loans accruing interest at 4.0% per annum. The loan of \$176,000 plus accrued interest was repaid by Mr. Pelton on June 30, 2020, in accordance with the terms of the employment and loan agreement. Prior to June 30, 2024, the \$500,000 loan was extended to June 2026.

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6. Management of capital

The Company's objectives, which have not changed during the current fiscal year, relating to the management of its capital structure are to:

- safeguard its ability to continue as a going concern;
- maintain financial flexibility in order to preserve its ability to meet financial obligations; and
- deploy capital to provide an adequate return to its shareholders.

The Company's capital is comprised of its share capital and short and long-term debt:

	<u>2025</u>	<u>2024</u>
Share capital	\$ 59,338	\$ 59,338
Short-term debt	-	600
Current portion of long-term debt	2,811	2,841
Long-term debt	<u>20,960</u>	<u>23,657</u>
	<u>\$ 83,109</u>	<u>\$ 86,436</u>

The Company's primary uses of capital are to finance growth in the St. Louis brand, growth by acquisition, and other corporate purposes. The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, or undertake any activities as deemed appropriate under the specific circumstances.

On March 1, 2025 Canadian Western Bank "CWB" and National Bank of Canada amalgamated and continued as one bank under the name National Bank of Canada "NBC". All references to "Canadian Western Bank" or "CWB" are hereby deemed to be amended to refer to "National Bank of Canada" or "NBC".

On December 7, 2020, the Company entered into a loan agreement with NBC, consisting of a revolving credit facility ("Credit Facility"), for \$2,000,000. Refer to note 17 for more information.

On December 7, 2021, the Company finalized a development line of credit ("DLOC") with NBC, for \$30,000,000, to continue the Company's growth in the foodservice industry through acquisition. Refer to note 17 for more information.

On November 17, 2022, the Company drew \$30,000,000 under the Company's DLOC with NBC to partially fund the St. Louis acquisition.

On October 28, 2024, 2707048 Ontario Corporation, a subsidiary of the Corporation, entered into a Revolving Line of Credit agreement with Yogen Früz Canada Inc. ("Yogen Früz"). The credit line is for a maximum of \$3,000,000, is revolving, bears interest at prime + 3.25% and is subject to a loan fee. The credit line is available for 36 months. As identified in Note 16, Yogen Früz is 100% owned by family members of a member of the Board of Directors of Aegis. On October 30, 2024, the Company drew \$600,000 under this credit facility. In 2025, the Company drew \$400,000 under this credit facility. In 2025, all amounts were repaid with no balance owing as of December 28, 2025.

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7. Financial instruments and financial risk management

Financial instruments

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

Financial instrument	Risk
<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
<i>Financial liabilities</i>	
Accounts payable and accrued liabilities	Liquidity
Short-term debt	Liquidity, and interest rate
Long-term debt	Liquidity, and interest rate

Fair value of financial instruments

The carrying values of cash and cash equivalents, trade and other receivables, notes receivable, short-term debt and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity or market rate of interest and are carried at amortized cost. The carrying value of long-term debt 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 Company currently does not have any financial instruments that are held at fair 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 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 52 weeks ended December 28, 2025.

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 exposure and 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.

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b. Trade and other receivables, notes, and leases receivable

Trade and other receivables and notes and leases receivable are primarily comprised of amounts due from franchisees and suppliers. Credit risk associated with these receivables is mitigated by the review and evaluation of balances beyond a particular age. The overall credit risk of other receivables is mitigated due to Company-owned restaurants receiving payment for goods sold as they are selling them, and therefore, receivable balances are minimal.

The Company has applied IFRS 9's simplified approach and has calculated expected credit losses 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 which is further referenced in Note 9.

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 following are the contractual maturities of financial instruments as of December 28, 2025 and December 29, 2024. The amounts are undiscounted and do not include contractual interest payments:

December 28, 2025

	Under 1 year	Between 1- 2 years	Between 2- 3 years	Between 3-4 years	Over 5 years	Total
Financial Assets						
Cash and cash equivalents	\$ 1,381	\$ -	\$ -	\$ -	\$ -	\$ 1,381
Trade, notes, leases and other receivables	3,011	991	717	652	1,063	6,434
	<u>\$ 4,392</u>	<u>\$ 991</u>	<u>\$ 717</u>	<u>\$ 652</u>	<u>\$ 1,063</u>	<u>\$ 7,815</u>
Financial Liabilities						
Accounts payable and accrued Liabilities	\$ 2,455	\$ -	\$ -	\$ -	\$ -	\$ 2,455
Long-term debt	2,837	3,048	17,955	-	-	23,840
	<u>\$ 5,292</u>	<u>\$ 3,048</u>	<u>\$ 17,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,295</u>

December 29, 2024

	Under 1 year	Between 1- 2 years	Between 2- 3 years	Between 3-4 years	Over 5 years	Total
Financial Assets						
Cash and cash equivalents	\$ 1,863	\$ -	\$ -	\$ -	\$ -	\$ 1,863
Trade, notes, leases and other receivables	2,640	815	411	385	589	4,840
	<u>\$ 4,503</u>	<u>\$ 815</u>	<u>\$ 411</u>	<u>\$ 385</u>	<u>\$ 589</u>	<u>\$ 6,703</u>
Financial Liabilities						
Accounts payable and accrued liabilities	\$ 3,109	\$ -	\$ -	\$ -	\$ -	\$ 3,109
Short-term debt	600	-	-	-	-	600
Long-term debt	2,865	3,108	3,373	17,245	-	26,591
	<u>\$ 6,574</u>	<u>\$ 3,108</u>	<u>\$ 3,373</u>	<u>\$ 17,245</u>	<u>\$ -</u>	<u>\$ 30,300</u>

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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. 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 28, 2025, an increase or decrease of 1% in the bank prime rate would have an impact of \$238,000 on annual interest expense using the balance of the short and long-term debt at December 28, 2025 and expected loan repayments.

8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of 30 days, which are subject to insignificant risk of changes in value.

Cash and cash equivalents is comprised of the following:

	2025	2024
Cash	\$ 756	\$ 1,011
Term deposits	22	22
Segregated cash	603	830
	<u>\$ 1,381</u>	<u>\$ 1,863</u>

Segregated cash is cash held on behalf of the St. Louis Advertising Fund, gift card account bank balances, and cash that has been collected for charity.

9. Trade and other receivables, notes, and leases receivable

a. Trade and other receivables

An analysis of aging of trade and other receivables from the billing date net of loss allowances are as follows:

	0-30 Days	31-60 Days	61-90 Days	>90 Days	Total
Trade receivable – net amount as at December 29, 2024	\$ 1,141	\$ 243	\$ 74	\$ 232	\$ 1,690
Trade receivables – gross amount as at December 28, 2025	\$ 1,584	\$ 327	\$ 67	\$ 1,276	\$ 3,254
Loss allowance	-	-	-	(981)	(981)
Net	<u>\$ 1,584</u>	<u>\$ 327</u>	<u>\$ 67</u>	<u>\$ 295</u>	<u>\$ 2,273</u>

Trade receivables include a combined loss allowance of \$981,000 (December 29, 2024 - \$758,000). Credit terms vary by customer in the range of 30 to 90 days.

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b. Notes and leases receivable

	2025	2024
Notes receivable	\$ 252	\$ 110
Leases receivable	3,220	2,471
	<u>\$ 3,472</u>	<u>\$ 2,581</u>

The notes and other leases receivable balance for December 28, 2025 is primarily made up of lease receivables related to Aegis and to franchised St. Louis Bar & Grill locations in which the Company is named on the head lease with the franchisee being the sublessor.

The following table outlines the total contractual discounted real estate lease receivables as at December 28, 2025 and December 29, 2024:

	2025	2024
Year 1	\$ 1,030	\$ 950
Year 2	739	705
Year 3	717	411
Year 4	652	385
Year 5	424	267
Thereafter	639	322
Less: future interest expense	(981)	(569)
Total lease receivables	<u>\$ 3,220</u>	<u>\$ 2,471</u>

c. Total trade, notes, leases, and other receivables

	2025	2024
Trade and other receivables	\$ 2,373	\$ 1,690
Notes receivable	252	110
Leases receivable	3,220	2,471
	<u>\$ 5,845</u>	<u>\$ 4,271</u>
Trade, notes, leases, and other receivables – current	\$ 3,111	\$ 2,437
Notes and leases receivable – non-current	2,734	1,834
Trade, notes, leases, and other receivables	<u>\$ 5,845</u>	<u>\$ 4,271</u>

10. Assets Held for Sale

The Company strategically purchases assets of restaurant businesses to renovate and resell as St. Louis Bar & Grill franchise locations. During the year, the Company sold the assets that were classified as held for sale at the end of the previous year and acquired new assets that it plans to sell in the coming fiscal year. In accordance with IFRS 5, the Company classified this group of assets as held for sale on the consolidated statement of financial position at December 28, 2025. The related assets that have been presented as held for sale are as follows and have been reported in the Corporate segment in Note 30:

	December 28 2025	December 29 2024
Prepaid expenses and other assets	\$ 91	\$ 3
Property and equipment	-	571
Right-of-use assets	584	309
Assets held for sale	\$ 675	\$ 883
Lease liabilities	(564)	(303)
Net assets held for sale	<u>\$ 111</u>	<u>\$ 580</u>

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11. Property, equipment, and right-of-use assets

a. Property and equipment

	Leasehold improvements	Equipment, furniture, fixtures, vehicles	Computer hardware	Total
As at December 25, 2023	\$ 54	\$ 47	\$ 46	\$ 147
Additions	45	82	19	146
Disposals – original cost	(45)	(76)	(10)	(131)
Accumulated depreciation	(15)	(15)	(18)	(48)
As at December 29, 2024	\$ 39	\$ 38	\$ 37	\$ 114
Cost	\$ 69	\$ 71	\$ 77	\$ 217
Accumulated depreciation	(30)	(33)	(40)	(103)
As at December 29, 2024	\$ 39	\$ 38	\$ 37	\$ 114
Additions	-	50	14	64
Accumulated depreciation	(14)	(17)	(30)	(61)
As at December 28, 2025	\$ 25	\$ 71	\$ 21	\$ 117
Cost	\$ 69	\$ 121	\$ 91	\$ 281
Accumulated depreciation	(44)	(50)	(70)	(164)
As at December 28, 2025	\$ 25	\$ 71	\$ 21	\$ 117

b. Right-of-use assets

	2025	2024
Opening balance	\$ 233	\$ 2,379
Additions	584	589
Disposals – cost	-	(1,239)
Disposals – accumulated depreciation	-	344
Amortization	(82)	(354)
Asset impairment charges	-	(470)
Held for sale	(584)	(309)
Held for sale – discontinued operations	-	(707)
Closing balance	\$ 151	\$ 233

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12. Intangible assets and goodwill

	Trademarks		Contracts		Goodwill		Total
As at December 31, 2023	\$	22,000	\$	19,271	\$	7,430	\$ 48,701
Amortization		-		(1,020)		-	(1,020)
As at December 29, 2024	\$	22,000	\$	18,251	\$	7,430	\$ 47,681
Cost	\$	22,000	\$	20,400	\$	7,430	\$ 49,830
Accumulated amortization		-		(2,149)		-	(2,149)
As at December 29, 2024	\$	22,000	\$	18,251	\$	7,430	\$ 47,681
Amortization		-		(1,020)		-	(1,020)
As at December 28, 2025	\$	22,000	\$	17,231	\$	7,430	\$ 46,661
Cost	\$	22,000	\$	20,400	\$	7,430	\$ 49,830
Accumulated amortization		-		(3,169)		-	(3,169)
As at December 28, 2025	\$	22,000	\$	17,231	\$	7,430	\$ 46,661

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of:

	2025		2024	
Accounts payable – trade ⁽¹⁾	\$	1,440	\$	1,725
Accrued liabilities		454		926
Deferred share unit plan liabilities		15		63
Accrued salaries, wages, benefits and incentives		474		314
Other payables		72		81
	\$	2,455	\$	3,109

⁽¹⁾ This amount includes short term provisions

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14. Deferred revenue

The movement of deferred revenue for the 52-week periods ended December 28, 2025 and December 24, 2024 is presented in the table below:

	Gift cards and loyalty program	Other franchise Revenue	Advertising fund	Total
As at December 31, 2023	\$ 250	\$ 1,046	\$ 458	\$ 1,754
Additions	220	714	2,912	3,846
Recognition into revenue	(363)	(580)	(2,945)	(3,888)
As at December 29, 2024	\$ 107	\$ 1,180	\$ 425	\$ 1,712
Additions	722	2,228	3,226	6,176
Recognition into revenue	(494)	(1,976)	(3,651)	(6,121)
As at December 28, 2025	\$ 335	\$ 1,432	\$ -	\$ 1,767

15. Provisions and lease liabilities

a. Provisions

As at December 31, 2023	\$ 890
Provisions charged during the period	881
Provisions utilized during the period	(746)
As at December 29, 2024	\$ 1,025
Provisions charged during the period	-
Provisions utilized during the period	(80)
As at December 28, 2025	\$ 945
Current portion (in accounts payable)	\$ 483
Non-current portion	462
As at December 28, 2025	\$ 945

b. Lease liabilities

The following table outlines the total contractual discounted real estate lease liabilities as at December 28, 2025 and December 29, 2024:

	2025	2024
Year 1	\$ 1,176	\$ 1,047
Year 2	873	818
Year 3	753	509
Year 4	688	385
Year 5	433	267
Thereafter	639	322
Less: future interest expense	(999)	(608)
Less: lease liabilities – current	(870)	(822)
Lease liabilities- non-current	\$ 2,693	\$ 1,918

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The following table outlines the movement in lease liabilities for the 52-week periods ended December 28, 2025 and the 52-week period ended December 29, 2024:

	2025	2024
Lease liabilities, beginning of period	\$ 2,740	\$ 5,886
Lease additions	1,628	590
Lease modification- Wing City	(180)	-
Lease reclassification from Held for sale- Wing City	880	-
Lease disposals	-	(966)
Cash lease payments	(141)	(452)
Lease payments from subleases	(1,058)	(1,235)
Add back interest included in payments	258	455
Held for sale – Wing City	(564)	(1,235)
Held for sale – 2707048 Ontario Corp.	-	(303)
Lease liabilities, end of period	3,563	2,740
Less current portion	(870)	(822)
	<u>\$ 2,693</u>	<u>\$ 1,918</u>

16. Short-term debt

On October 28, 2024, 2707048 Ontario Corporation, a subsidiary of the Corporation, entered into a Revolving Line of Credit agreement with Yogen Früz. The credit line is for a maximum of \$3,000,000, is revolving, bears interest at prime + 3.25% and is subject to a loan fee. During 2025, the Corporation paid \$52,000 (2024-\$nil) in interest and loan fees to Yogen Früz. The credit line is available for 36 months and is secured by Aegis, as a second charge and subordinate to NBC, and the assets associated with each advance. Yogen Früz is 100% owned by family members of a member of the Board of Directors of Aegis.

	2025	2024
Short-term debt, beginning of period	\$ 600	\$ -
Proceeds of Credit Facility	400	600
Repayment of Credit Facility	(1,000)	-
Short-term debt, end of period	<u>\$ -</u>	<u>\$ 600</u>

17. Long-term debt

The Corporation entered into the DLOC with NBC in fiscal 2021 in anticipation of acquiring more businesses in the food and beverage space.

On November 17, 2022, the Corporation drew \$30,000,000 from its DLOC with NBC to partially fund the acquisition of St. Louis. The loan is non-revolving, with an interest rate of prime + 2.75% and was 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.

The loan is secured by a General Security Agreement creating a first priority lien on all present and after acquired personal property including any and all intellectual property, equipment used at or in connection with any corporately-owned St. Louis locations, as well as all improvements, additions, replacements and substitutions of the equipment, and all proceeds thereof (including insurance proceeds), from Aegis and SLF Corporate Stores LP (the Corporate Guarantors) and any control agreement with a third party bank as required to perfect cash collateral security.

As of the end of the reporting period, the Company must have a Pre-Compensation Consolidated Fixed Charge Coverage Ratio “FCCR” equal to or greater than 1.3:1, and a Post-Compensation Consolidated FCCR equal to or greater than 1.1:1. The loan also states a covenant of Consolidated funded debt to Consolidated EBITDA “Senior Leverage” equal

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to or less than 4:1, reducing to 3.75:1 beginning in fiscal 2026. At December 28, 2025, the Company was in compliance with all of its financial covenants under the facility.

The following table outlines the movement in long-term debt:

	2025	2024
Long-term debt, beginning of the year	\$ 6,498	\$ 28,880
Deferred financing costs	23	21
Principal repayments	(2,750)	(2,403)
Long-term debt, end of the year	23,771	26,498
Less current portion	(2,811)	(2,841)
	<u>\$ 20,960</u>	<u>\$ 23,657</u>

The following table outlines the repayment schedule (does not reflect amortization of deferred financing fees or interest costs):

2026	\$ 2,837
2027	3,048
2028	17,955
Thereafter	-
Total	<u>\$ 23,840</u>

18. Revenue

Franchise Revenue

	2025	2024
Royalties	\$ 5,825	\$ 5,762
Advertising fund contributions	3,630	2,901
Other franchise revenue	7,848	7,088
Corporate store revenue	-	2,162
	<u>\$ 17,303</u>	<u>\$ 17,913</u>

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19. Operating costs and expenses

	<u>2025</u>	<u>2024</u>
Cost of Sales		
Cost of product sales	\$ -	\$ 828
Labour and related expenses	-	719
Overhead and other	-	514
	<u>-</u>	<u>2,061</u>
General and administrative expenses		
Labour and related expenses	5,042	5,525
Overhead and other	2,644	2,364
Ad Fund expenses	3,630	2,946
	<u>11,316</u>	<u>10,835</u>
Other		
Depreciation and amortization	61	48
Amortization of right-of-use assets	82	205
Amortization of intangible assets	1,020	1,020
	<u>1,163</u>	<u>1,273</u>
	<u>\$ 12,479</u>	<u>\$ 14,169</u>

20. Gains on disposals

During current year, the Company entered into a sublease, derecognizing the related ROU asset and recognized an investment in sublease. Prior to entering into the sublease arrangement, the underlying head lease agreement was modified, resulting in a remeasurement and reduction of the related lease liability in accordance with IFRS 16, *Leases*. The corresponding adjustment was recognized against the ROU asset. The difference between the ROU asset and the net investment in the sublease has been recognized as a gain on sublease. In the prior fiscal, the Company sold the assets of three of its corporate stores and a gain on exit of its former Home Office lease. In accordance with IAS 16 ("Property plant and equipment") and IFRS 16, a gain on sale was recorded.

	<u>2025</u>	<u>2024</u>
Net proceeds on sale	\$ -	\$ 1,145
Net liabilities disposed	353	(162)
Gain on sublease	353	-
Gains on disposals of corporate stores	-	983
Gain on disposal of former Home Office lease	-	30
	<u>\$ 353</u>	<u>\$ 1,013</u>

21. Interest and financing expense

	<u>2025</u>	<u>2024</u>
Interest expense – lease liabilities	\$ 308	\$ 341
Interest expense	1,944	2,680
Interest income – finance leases	(285)	(284)
Interest income	(24)	(54)
	<u>\$ 1,943</u>	<u>\$ 2,683</u>

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22. Impairment of trademarks and goodwill

As at November 30, 2025, the Company performed an impairment test of its trademarks and goodwill. Management determined that the CGU for the purpose of testing impairment of goodwill and trademarks is the St. Louis operating segment (the St. Louis CGU). An impairment charge is recorded when the carrying value of the CGU exceeds its recoverable amount. The recoverable amount of the St. Louis CGU was determined using the value in use method using a discounted cash flow model. The significant assumptions used by management in determining the recoverable amount of the St. Louis CGU included: (i) a discount rate of 32.8% and (ii) revenue projections which were based on management's projections for the five-year period 2026-2030 and factoring in an average revenue five-year growth rate of 10.7%, as detailed in the business plan. Management's projections around revenue are sources of significant estimation uncertainty and changes to those assumptions may result in material changes to the recoverable amount of the St. Louis CGU. Based on the assessment performed, no impairment was recognized during the year.

23. Revaluation of securities, warrants, and other

Units granted under the Directors' deferred share unit ("DSU") plan have graded vesting for each month of service completed over the course of one year. Units are paid out in cash upon the Director's departure from the Board. Units are granted based on a weighted average price of the Company's shares on the five most recent days preceding the grant date. The fair value of the grants is amortized over the respective vesting period using the graded amortization method. Any dividends paid during the vesting period are accrued based on the total number of units granted. Amounts recognized are recorded in general and administrative expenses. Recorded values of the plan are presented as accounts payable and accrued liabilities in the consolidated statements of financial position. All but one of the Directors currently receive their Directors' fees in cash, with one receiving their fees half in cash and half in DSUs. The balance in the Directors' deferred share unit plan relates to the balance owing to Directors who haven't had their DSU balance settled. This DSU balance will be revalued every quarter based on the current market price of Aegis shares until it is paid out in accordance with the terms of the plan. Revaluation of the DSUs for the period ended December 28, 2025 was \$10,000 (2024 - \$4,000).

24. Restructuring Costs

On September 27, 2024, the Company approved a plan to restructure its business, including reduction of headcount. The restructuring began in the third quarter during which the Company recognized a restructuring expense of \$613,000. The remaining balance is expected to be paid into 2026. The December 28, 2025 balance is in Accrued Liabilities.

Restructuring charges and their utilization are summarized in the table below:

	<u>Employee - related</u>
Liability, December 29, 2024	\$ 530
Charged	-
Payments	(360)
Liability, December 28, 2025	<u>\$ 170</u>

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25. Income taxes

Income taxes, as reported, differ from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate to income before income taxes. The reasons for these differences are as follows:

	2025	2024
Net income (loss) before income taxes	\$ 2,995	\$ (1,295)
Combined Canadian federal and provincial tax rate	26.6%	26.5%
Tax (recovery) at statutory rate	797	(344)
Items not deductible for tax	(99)	(294)
Return to provision	458	(239)
Rate differences	-	2
Change in unrecognized deferred taxes	(1,276)	-
Other	120	875
Income tax recovery	\$ -	\$ -
Current income tax (recovery)	\$ -	\$ -
Deferred tax (recovery)	-	-
Income tax (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2025	2024
Non-capital loss carryforwards	\$ 6,412	\$ 7,219
Reserves	13	512
Property and equipment and leases	118	180
Financing fees	73	163
Investments	916	916
Equity portion of convertible debentures	(168)	(162)
Lease termination fees	352	42
Other	-	-
	\$ 7,716	\$ 8,870
Unrecognized deferred tax assets	(7,716)	(8,870)
	\$ -	\$ -

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The Company has non-capital losses of approximately \$24,000,000 which are available to apply against its future taxable income. If not utilized, the non-capital losses will expire as follows:

Year of expiration		
2033	\$	261
2034		254
2035		850
2036		1,652
2037		207
2038		252
2039		4,716
2040		4,655
2041		3,058
2042		3,348
2043		3,388
2044		1,164
2045		222
Total	\$	24,027

26. Basic and diluted earnings (loss) per share

Loss per share is based on the weighted average number of shares outstanding during the period. Certain share option awards to purchase shares are excluded due to anti-dilutive impact. Basic and diluted loss per share is determined as follows:

	2025		2024	
Basic				
Income from continuing operations	\$	3,269	\$	1,482
Weighted average number of shares issued and outstanding		85,287,167		85,287,167
Basic earnings per share from continuing operations	\$	0.04	\$	0.02
Loss from discontinued operations	\$	(274)	\$	(2,777)
Weighted average number of shares issued and outstanding		85,287,167		85,287,167
Basic loss per share from discontinued operations	\$	(0.00)	\$	(0.03)
Total basic earnings (loss) per share	\$	0.04	\$	(0.01)
Diluted				
Weighted average number of shares issued and outstanding		85,287,167		85,287,167
Effect of stock options and DSUs		205,000		387,172
Weighted average number of shares (diluted)		85,492,167		85,674,339
Diluted earnings per share from continuing operations	\$	0.04	\$	0.02
Diluted loss per share from discontinued operations	\$	(0.00)	\$	(0.03)
Total basic and diluted earnings (loss) per share	\$	0.04	\$	(0.01)

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27. Supplemental cash flow information

Changes in non-cash working capital of continuing operations	2025	2024
Trade, and other receivables	\$ (583)	\$ 218
Prepaid expenses and other assets	(65)	(115)
Notes receivable	(142)	285
Accounts payable and accrued liabilities	(654)	671
Provisions	(25)	(260)
Deferred revenue	55	(42)
	<u>\$ (1,414)</u>	<u>\$ 757</u>

28. Contingencies, commitments and guarantees

The Company is involved in litigation and other claims arising in the normal course of business. Judgement is used to determine whether or not 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. Management believes that no significant losses or expenses above the amounts provided for in the consolidated financial statements will be incurred with such claims. 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.

29. Related parties

Related parties are identified as key management personnel that effectively exercise significant influence over the Corporation. Such related parties include any entities acting with or on behalf of the aforementioned parties. For the purposes of these consolidated financial statements, a party is considered related to the Corporation if such party or the Corporation has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Corporation and such party are subject to common influence.

Related party transactions during the year outside of compensation

The following table summarizes the related party transactions that occurred during the year outside of compensation of key management personnel:

	2025	2024
Interest income on related party loan (Note 5)	\$ 20	\$ 20
Total transactions	<u>\$ 20</u>	<u>\$ 20</u>

The balance of the accrued interest in the loan noted above was \$130,000 (2024 - \$110,000) and has been recognized in notes and leases receivable.

Compensation of key management personnel

The following summarizes the annual remuneration and related compensation costs of the Board members and key corporate management, defined as the President and Chief Executive Officer and the other senior executive officers:

	2025	2024
Salaries and short-term employee benefits	\$ 1,379	\$ 1,418
Directors' deferred share option plan (Note 32)	13	13
Directors' fees	147	169
Share-based compensation	46	48
Total compensation	<u>\$ 1,585</u>	<u>\$ 1,648</u>

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30. Segmented reporting

The Corporation's reportable operating segments are organized in a manner that reflects how management views those business activities, and the manner that reflects how internal financial results and key performance indicators are reported to the Chief Executive Officer.

The following is a summary of each reportable business segment and its business activity.

Aegis (Corporate)

Corporate amounts are public company expenses and amounts relating to shared groups who provide services, such as back-office functions, to support its operating brands.

St. Louis

The Corporation owns 100% of the partnership interest of the St. Louis brand, which has 81 franchised locations Canada-wide. St. Louis products, such as sauces and frozen food products, are also sold in grocery stores across Canada.

Discontinued Operations:

Bridgehead

The Corporation owns 100% of the issued and outstanding shares of Ottawa-based Bridgehead (2000) Inc., which had 21 Company-operated coffeehouses. The Corporation sold substantially all the assets of the Bridgehead business on March 8, 2024 and as a result, the Bridgehead segment is presented as discontinued operations in the consolidated financial statements.

Wing City

The Corporation owns 100% of the partnership interest of the Wing City by St Louis Limited Partnership, which had 2 corporate locations in Toronto, Ontario. On August 21, 2024, management closed the Wing City businesses. During the third quarter, an agreement to sublease was signed for one of the leases. Subsequent to the reporting date, on February 20, 2026, the Company completed the sale of the assets related to Wing City and the related lease liabilities were extinguished. The operations of Wing City have been presented as discontinued operations.

a. Segmented Operations 2025

Segmented Operations – 52 weeks ended December 28, 2025

	Corporate	St. Louis	Wing City	Total
Revenue from external customers	\$ -	\$ 17,303	\$ -	\$ 17,303
General and administrative expenses	(4,387)	(6,929)	-	(11,316)
Depreciation and amortization	(12)	(49)	-	(61)
Amortization of right-of-use assets	(82)	-	-	(82)
Amortization of intangible assets	-	(1,020)	-	(1,020)
Interest and financing income (expense)	(1,945)	2	-	(1,943)
Other income	35	-	-	35
Gains on disposals	353	-	-	353
Income (loss) from continuing operations before income taxes	\$ (6,038)	\$ 9,307	\$ -	\$ 3,269
Income (loss) from continuing operations	\$ (6,038)	\$ 9,307	\$ -	\$ 3,269
Discontinued operations after income taxes	-	-	(274)	(274)
Net income (loss)	\$ (6,038)	\$ 9,307	\$ (274)	\$ 2,995

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b. Segmented Operations 2024

Segmented Operations – 52 weeks ended December 29, 2024

	Corporate	Bridgehead	St. Louis	Wing City	Total
Revenue from external customers	\$ -	\$ -	\$ 17,913	\$ -	\$ 17,913
Cost of sales	-	-	(2,061)	-	(2,061)
General and administrative expenses	(5,516)	-	(5,319)	-	(10,835)
Depreciation and amortization	(5)	-	(43)	-	(48)
Amortization of right-of-use assets	(48)	-	(157)	-	(205)
Amortization of intangible assets	-	-	(1,020)	-	(1,020)
Restructuring costs	(418)	-	(195)	-	(613)
Interest and financing income (expense)	(2,637)	-	(46)	-	(2,683)
Other income	21	-	-	-	21
Gains on disposals	-	-	1,013	-	1,013
Income (loss) from continuing operations before income taxes	\$ (8,603)	\$ -	\$ 10,085	\$ -	\$ 1,482
Income (loss) from continuing operations	\$ (8,603)	\$ -	\$ 10,085	\$ -	\$ 1,482
Discontinued operations after income taxes	-	(197)	-	(2,580)	(2,777)
Net income (loss)	\$ (8,603)	\$ (197)	\$ 10,085	\$ (2,580)	\$ (1,295)

c. Segmented net assets 2025

	Cash & Cash Equivalents	Right-of-Use Assets	Property & Equipment	Intangible Assets & Goodwill	Other Assets	Total
St. Louis	\$ 1,279	\$ -	\$ 103	\$ 46,661	\$ 5,297	\$ 53,340
Wing City	-	290	104	-	43	437
Corporate	102	735	14	-	965	1,816
	\$ 1,381	\$ 1,025	\$ 221	\$ 46,661	\$ 6,305	\$ 55,593
Less: Assets of Discontinued Operations	-	(290)	(104)	-	(43)	(437)
Less: Assets Held for Sale	-	(584)	-	-	(91)	(675)
Total	\$ 1,381	\$ 151	\$ 117	\$ 46,661	\$ 6,171	\$ 54,481

	Accounts Payable & Accruals	Lease Liabilities	Other Liabilities	Total
St. Louis	\$ 1,093	\$ 2,744	\$ 1,767	\$ 5,604
Wing City	37	294	-	331
Corporate	1,362	1,383	24,233	26,978
	\$ 2,492	\$ 4,421	\$ 26,000	\$ 32,913
Less: Liabilities of Discontinued Operations	(37)	(294)	-	(331)
Less: Liabilities Held for Sale	-	(564)	-	(564)
Total	\$ 2,455	\$ 3,563	\$ 26,000	\$ 32,018

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d. Segmented net assets 2024

	Cash & Cash Equivalents	Right- of-Use Assets	Property & Equipment	Intangible Assets & Goodwill	Other Assets	Total
St. Louis	\$ 1,798	\$ -	\$ 105	\$ 47,681	\$ 4,217	\$ 53,801
Wing City	-	707	150	-	90	947
Corporate	65	542	580	-	406	1,593
	\$ 1,863	\$ 1,249	\$ 835	\$ 47,681	\$ 4,713	\$ 56,341
Less: Assets of Discontinued Operations	-	(707)	(150)	-	(90)	(947)
Less: Assets Held for Sale	-	(309)	(571)	-	(3)	(883)
Total	\$ 1,863	\$ 233	\$ 114	\$ 47,681	\$ 4,620	\$ 54,511

	Accounts Payable & Accruals	Lease Liabilities	Other Liabilities	Total
St. Louis	\$ 1,076	\$ 2,424	\$ 1,711	\$ 5,211
Wing City	30	1,235	-	1,265
Corporate	2,033	619	27,586	30,238
	\$ 3,139	\$ 4,278	\$ 29,297	\$ 36,714
Less: Liabilities of Discontinued Operations	(30)	(1,235)	-	(1,265)
Less: Liabilities Held for Sale	-	(303)	-	(303)
Total	\$ 3,109	\$ 2,740	\$ 29,297	\$ 35,146

31. Share-based compensation

Stock option plan

The stock option plan was introduced in May 2014, subsequently Amended and Restated at the Annual and Special Meeting of Shareholders held virtually on September 24, 2020, and ratified at the Meeting of Shareholders held on May 5, 2023. The Corporation may grant options to buy up to 10% of its then issued and outstanding Common Shares. At December 28, 2025, there were 1,760,000 options outstanding. The stock options outstanding have a term of 8-10 years from the initial grant date, depending on the option. Each stock option is exercisable into one Common Share at the price specified in the terms of the option agreement.

Stock options are to be settled on a net-equity basis. Compensation expense/gain for stock awards is recognized using the fair value when the stock awards are granted using the Black-Scholes option pricing model. Significant assumptions used for the newly issued grants for the period are detailed below:

Expected volatility	115.33%
Risk-free interest rate	2.52%
Expected dividends	\$0.00
Expected life (in years)	5.2
Weighted-average share price	\$0.343
Forfeiture rate	Nil

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

For the 52 weeks ended December 28, 2025, and December 29, 2024

(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

Option Grant Date	Number of Options	Exercise Price	Expected Time to Expiry from Grant Date	Stock Price Volatility	Risk-Free Interest Rate	Grant Date Fair Value of Option
May 28, 2019 ⁽¹⁾	750,000	\$0.64	6.5 years	25.2%	1.6%	\$0.66
December 29, 2020 ⁽¹⁾	145,000	\$0.64	6.5 years	23.9%	0.6%	\$0.28
August 12, 2021 ⁽¹⁾	150,000	\$0.64	6.5 years	25.3%	1.1%	\$0.27
March 18, 2022	205,000	\$0.71	5.2 years	26.0%	1.9%	\$0.19
September 1, 2022	25,000	\$0.40	5.2 years	26.0%	2.8%	\$0.12
November 17, 2022	300,000	\$0.52	5.2 years	26.0%	3.3%	\$0.16
March 17, 2023	180,000	\$0.45	5.2 years	44.1%	3.7%	\$0.20
October 27, 2023	100,000	\$0.25	5.2 years	44.1%	3.7%	\$0.11
March 8, 2024	265,000	\$0.26	5.2 years	44.1%	3.4%	\$0.16
March 6, 2025	165,000	\$0.35	5.2 years	115.33%	2.5%	\$0.29

⁽¹⁾ On December 23, 2022, the Board of Directors approved the repricing of these 1,045,000 stock options of the Corporation. The repricing decision was taken as existing strike prices did not achieve the goal of rewarding senior management with long-term rewards linked directly to the market value of the Corporation's shares after the Corporation's recapitalization. The Options were repriced at \$0.64 per Common Share, being the five-day volume weighted average closing price of the Common Shares prior to the decision. The repricing of the Options was approved by the TSX and disinterested shareholders at the Corporation's annual general meeting of shareholders on May 5, 2023.

During the year, the Company changed its methodology for estimating expected volatility used in the measurement of share-based payment awards in accordance with IFRS 2 Share-based Payment. Historically, expected volatility was determined with reference to the historical volatility of comparable publicly traded peer companies, as the Company did not have sufficient historical share price data within its current industry to support a reliable estimate based on its own trading history. The Company now has multiple years of historical share price data while operating in its current industry. In accordance with IFRS 2, expected volatility should reflect the assumptions that market participants would use when pricing the instrument, including consideration of historical volatility over a period commensurate with the expected term of the awards. Management determined that the Company's own historical volatility now provides a more relevant and reliable basis for estimating expected future volatility. All options vest in tranches and are amortized over the awards' vesting period using the graded vesting method. Recognition of the expense/gain is recorded as a charge to profit or loss with a corresponding increase/decrease to reserves. For the 52-week period ended December 28, 2025, the Corporation recognized a share-based compensation expense of \$58,000 (2024 - \$61,000) with a corresponding increase to reserves. This expense is included with general & administrative expenses.

The table below summarizes all option activities for the 52 weeks ended December 28, 2025:

	2025		2024	
	Number of share options outstanding	Weighted-average exercise price/share	Number of share options outstanding	Weighted-average exercise price/share
Outstanding Options beginning of period	1,665,000	\$0.54	1,510,000	\$0.58
Granted	165,000	\$0.35	265,000	\$0.26
Exercised	-	-	-	-
Forfeited	(70,000)	\$0.46	(110,000)	\$0.37
Outstanding Options, end of period	1,760,000	\$0.53	1,665,000	\$0.54
Options exercisable, end of period	1,385,000	\$0.57	1,155,000	\$0.62

Aegis Brands Inc.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars, except tabulated amounts, which are expressed in thousands of Canadian dollars)

32. Director's deferred share unit plan

A summary of the status of the Corporation's directors' deferred share unit plan is presented below:

	Notional Units	Dec 28, 2025	Notional Units	Dec 29, 2024
Beginning of period	171,368	\$ 63	149,196	\$ 50
Deferred units granted	33,784	13	22,172	8
Deferred units paid out	(149,196)	(51)	-	-
Change in fair value	-	(10)	-	5
End of period	55,956	\$ 15	171,368	\$ 63
Expense during the period		\$ 3		\$ 13

33. Subsequent Event

Subsequent to the reporting date, on February 20, 2026, the Company completed the sale of the assets related to Wing City and the related lease liabilities were extinguished. Proceeds of \$100,000 were received and there was no gain or loss recorded on disposal. Management has determined this transaction represents a non-adjusting subsequent event in accordance with IAS 10, Events after the Reporting Period, and therefore no amounts have been adjusted in these financial statements as a result of this transaction.