



Aegis Brands Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the 39 weeks ended September 29, 2024 and September 24, 2023

Notice to Reader

The management of Aegis Brands Inc. (the “Company”) is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS”) and are considered by management to present fairly the financial position, financial performance and cash flows of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by an auditor. These unaudited condensed interim consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items that management considers necessary for a fair presentation of the financial position, financial performance and cash flows.

(Signed)

Steven Pelton
President and Chief Executive Officer, Aegis Brands Inc.

(Signed)

Melinda Lee
Chief Financial Officer, Aegis Brands Inc.

October 31, 2024

Aegis Brands Inc.

Condensed Interim Consolidated Statements of Financial Position

As at September 29, 2024 and December 31, 2023

(Unaudited, expressed in thousands of Canadian dollars)

| ASSETS | September 29, 2024 | December 31, 2023 |
|---|---------------------------|--------------------------|
| Current assets | | |
| Cash and cash equivalents (Note 4) | \$ 1,355 | \$ 803 |
| Trade, notes, leases and other receivables | 2,430 | 3,163 |
| Inventories | 116 | 126 |
| Prepaid expenses and other assets | 284 | 141 |
| Assets of discontinued operations (Note 2) | 186 | 8,052 |
| | <u>4,371</u> | <u>12,285</u> |
| Non-current assets | | |
| Notes and leases receivable | 1,907 | 2,561 |
| Property and equipment | 273 | 1,391 |
| Right-of-use assets | 1,337 | 2,379 |
| Intangible assets | 40,506 | 41,271 |
| Goodwill | 7,430 | 7,430 |
| | <u>55,824</u> | <u>67,317</u> |
| Total assets | <u>\$ 55,824</u> | <u>\$ 67,317</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | \$ 2,765 | \$ 2,615 |
| Lease liabilities (Note 6) | 1,032 | 1,322 |
| Current portion of long-term debt (Note 8) | 2,308 | 1,831 |
| Deferred revenue (Note 7) | 1,235 | 1,754 |
| Liabilities of discontinued operations (Note 2) | 101 | 6,574 |
| | <u>7,441</u> | <u>14,096</u> |
| Non-current liabilities | | |
| Provisions | 505 | 747 |
| Lease liabilities (Note 6) | 3,097 | 4,564 |
| Long-term debt (Note 8) | 24,921 | 27,049 |
| | <u>35,964</u> | <u>46,456</u> |
| Total liabilities | <u>35,964</u> | <u>46,456</u> |
| SHAREHOLDERS' EQUITY | <u>19,860</u> | <u>20,861</u> |
| Total liabilities and shareholders' equity | <u>\$ 55,824</u> | <u>\$ 67,317</u> |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Contingencies, commitments and guarantees (Note 15)

Subsequent event (Note 18)

Approved by the Directors on October 31, 2024

Anthony Longo, Director

Stephen Kelley, Director

Aegis Brands Inc.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

For the 13 and 39 weeks ended September 29, 2024 and September 24, 2023

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

| | 13 weeks ended | | 39 weeks ended | |
|---|----------------|---------------|----------------|---------------|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 |
| Revenue (Note 9) | \$ 4,210 | \$ 4,285 | \$ 14,090 | \$ 12,619 |
| Operating costs and expenses (Note 10) | | | | |
| Cost of sales | 249 | 402 | 2,007 | 805 |
| General and administrative expenses | 2,678 | 2,263 | 8,088 | 8,206 |
| Depreciation of property and equipment | 17 | 9 | 42 | 27 |
| Amortization of right-of-use assets | 34 | 35 | 183 | 99 |
| Amortization of intangible assets | 255 | 255 | 765 | 765 |
| Gain on disposals (Note 11) | - | - | (843) | - |
| Revaluations of securities, warrants, and other | 7 | 20 | 11 | 4 |
| Total operating costs and expenses | 3,240 | 2,984 | 10,253 | 9,906 |
| Income from continuing operations, before other income and expenses and income taxes | 970 | 1,301 | 3,837 | 2,713 |
| Interest and financing expense (Note 12) | (657) | (664) | (2,097) | (2,309) |
| Other income | 13 | 4 | 13 | 6 |
| Income from continuing operations, before restructuring costs | 326 | 641 | 1,753 | 410 |
| Restructuring costs (Note 17) | (613) | - | (613) | - |
| Income (loss) from continuing operations | (287) | 641 | 1,140 | 410 |
| Discontinued operations, net of tax | | | | |
| Bridgehead (Note 2) | - | (174) | (197) | (1,064) |
| Wing City (Note 2) | (1,401) | - | (1,997) | - |
| Net and comprehensive income (loss) for the period | \$ (1,688) | \$ 467 | \$ (1,054) | \$ (654) |
| Basic and diluted income (loss) per share – continuing operations (Note 13) | \$ (0.00) | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| Basic and diluted loss per share – discontinued operations | \$ (0.02) | \$ (0.00) | \$ (0.03) | \$ (0.01) |
| Basic and diluted income (loss) per share (Note 13) | \$ (0.02) | \$ 0.01 | \$ (0.01) | \$ (0.01) |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Aegis Brands Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the 39 weeks ended September 29, 2024 and September 24, 2023

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

| | <u>Common Shares</u> | <u>Share Capital</u> | <u>Reserves</u> | <u>Equity Component of Convertible Debentures</u> | <u>Deficit</u> | <u>Total</u> |
|--|--------------------------|----------------------|-----------------|---|----------------|--------------|
| Balance, December 25, 2022 | 33,647,992 | \$ 35,970 | \$ 62,305 | \$ 4,927 | \$ (96,157) | \$ 7,045 |
| Net income, continuing operations | - | - | - | - | 410 | 410 |
| Net loss, discontinued operations | - | - | - | - | (1,064) | (1,064) |
| Conversion of convertible debentures into equity | 51,639,175 | 23,405 | - | (4,927) | - | 18,478 |
| Stock option expense | - | - | 65 | - | - | 65 |
| Balance, September 24, 2023 | 85,287,167 | \$ 59,375 | \$ 62,370 | \$ - | \$ (96,811) | \$ 24,934 |
| Balance, December 31, 2023 | 85,287,167 | \$ 59,338 | \$ 62,387 | \$ - | \$ (100,864) | \$ 20,861 |
| Net income, continuing operations | - | - | - | - | 1,140 | 1,140 |
| Net loss, discontinued operations | - | - | - | - | (2,194) | (2,194) |
| Stock option expense | - | - | 53 | - | - | 53 |
| Balance, September 29, 2024 | 85,287,167 | \$ 59,338 | \$ 62,440 | \$ - | \$ (101,918) | \$ 19,860 |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Aegis Brands Inc.

Condensed Interim Consolidated Statements of Cash Flow

For the 39 weeks ended September 29, 2024 and September 24, 2023

(Unaudited, expressed in thousands of Canadian dollars)

| CASH PROVIDED BY (USED IN) | 39 weeks ended September 29, 2024 | 39 weeks ended September 24, 2023 |
|---|--|--|
| Operating activities | | |
| Net loss for the period | \$ (1,054) | \$ (654) |
| <i>Adjusted for:</i> | | |
| Net loss from discontinued operations | 2,194 | 1,064 |
| <i>Items not involving cash</i> | | |
| Depreciation of property and equipment | 42 | 27 |
| Amortization of right-of-use assets | 183 | 99 |
| Amortization of intangible assets | 765 | 765 |
| Amortization of financing costs and capitalized acquisition costs | 16 | 78 |
| Stock option expense | 53 | 65 |
| Interest expense – lease liabilities (Note 12) | 272 | 322 |
| Interest income – lease receivables (Note 12) | (220) | (288) |
| Gain on disposals (Note 11) | (843) | - |
| Revaluations of securities, warrants, and other | - | 76 |
| Changes in non-cash working capital and other (Note 14) | (40) | (4,455) |
| Cash provided by (used in) operating activities – continuing operations | 1,368 | (2,901) |
| Cash provided by (used in) operating activities – discontinued operations | (2,470) | 1,373 |
| Cash used in operating activities | (1,102) | (1,528) |
| Investing activities | | |
| Proceeds received on sale of capital assets | 795 | - |
| Purchase of intangible assets | - | (36) |
| Purchase of capital assets | (164) | (755) |
| Cash provided by (used in) investing activities – continuing operations | 631 | (791) |
| Cash provided by (used in) investing activities – discontinued operations | 3,029 | (71) |
| Cash provided by (used in) investing activities | 3,660 | (862) |
| Financing activities | | |
| Repayment of long-term debt (Note 8) | (1,667) | (569) |
| Lease payments (Note 6) | (200) | (43) |
| Cash used in financing activities – continuing operations | (1,867) | (612) |
| Cash used in financing activities – discontinued operations | (593) | (1,285) |
| Cash used in financing activities | (2,460) | (1,897) |
| Decrease in cash and cash equivalents during the period – continuing operations | 132 | (4,304) |
| Increase (decrease) in cash and cash equivalents during the period – discontinued operations | (34) | (17) |
| Increase (decrease) in cash and cash equivalents during the period | 98 | (4,287) |
| Cash and cash equivalents – Beginning of the period – continuing operations | 803 | 6,025 |
| Cash and cash equivalents – Beginning of the period– discontinued operations | 454 | 483 |
| Cash and cash equivalents – End of the period (Note 4) | \$ 1,355 | \$ 2,221 |
| Supplementary information | | |
| Interest paid | \$ 2,360 | \$ 2,699 |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Aegis Brands Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the 39 weeks ended September 29, 2024 and September 24, 2023

(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

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. The St. Louis Bar & Grill (“St. Louis”) franchise business is operated by the Corporation’s wholly-owned subsidiary SLF Operations LP.

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 Ave., Suite 501, Toronto, Ontario M9C 5E9. The Company’s website is www.aegisbrands.ca. The Corporation’s common shares trade on the Toronto Stock Exchange under the ticker symbol “AEG”. Each existing certificate reflecting the Corporation’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 September 29, 2024, the Company had 78 franchised and 1 corporate 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. This has been further discussed in subsequent sections of these unaudited condensed interim consolidated financial statements (the “financial statements”). In these financial statements, the operations of Bridgehead have been presented as discontinued operations.

On August 21, 2024 management closed the Wing City businesses and is actively trying to find a buyer for the fixed assets of the business and exit the leases. This has been further discussed in subsequent sections of these unaudited condensed interim consolidated financial statements (the “financial statements”). In these financial statements, the operations of Wing City have been presented as discontinued operations.

2. Held for Sale and Discontinued Operations

Bridgehead

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). In accordance with IFRS 5 (“Non-Current Assets Held for Sale and Discontinued Operations”), the Company has classified this disposal group of assets as held for sale in the comparative financial statements.

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 | | <u>129</u> |
| Gain on sale | \$ | <u>174</u> |

The following table summarizes the net assets of the Bridgehead business at March 7, 2024:

| | | |
|--|----|--------------|
| Cash and cash equivalents | \$ | 12 |
| Trade, note, leases, and other receivables | | 254 |
| Inventories | | 194 |
| Prepaid expenses and other assets | | 595 |
| Right-of-use assets | | 2,252 |
| Property and equipment | | 1,329 |
| Intangible assets | | <u>3,965</u> |
| Assets of discontinued operations | \$ | <u>8,601</u> |

Aegis Brands Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

| | | |
|--|----|--------------|
| Accounts payable and accrued liabilities | \$ | 741 |
| Lease liabilities | | 4,382 |
| Deferred revenue | | <u>399</u> |
| Liabilities of discontinued operations | \$ | <u>5,522</u> |
| Net assets of discontinued operations | \$ | <u>3,079</u> |

| The results of the discontinued operations are as follows: | 13 weeks ended | | 39 weeks ended | | | | | |
|--|----------------|---------------|----------------|---------------|----|---------|----|----------|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 | | | | |
| Revenue | \$ | - | \$ | 4,097 | \$ | 2,832 | \$ | 11,701 |
| Expenses | | - | | (4,271) | | (3,203) | | (12,765) |
| Gain on sale | | - | | - | | 174 | | - |
| Loss from discontinued operations | \$ | - | \$ | (174) | \$ | (197) | \$ | (1,064) |

Wing City

On August 21, 2024, management closed the Wing City businesses and is actively trying to sell the assets and exit the leases. In accordance with IFRS 5 (“Non-Current Assets Held for Sale and Discontinued Operations”), the Company has classified this disposal group of assets as held for sale in the comparative financial statements.

The following table summarizes management’s best estimate of the net realizable value of the net assets of the Wing City businesses at September 29, 2024:

| | | |
|--|----|------------|
| Prepaid expenses and other assets | \$ | 36 |
| Property and equipment | | <u>150</u> |
| Assets of discontinued operations | \$ | <u>186</u> |
| Accounts payable and accrued liabilities | \$ | <u>101</u> |
| Liabilities of discontinued operations | \$ | <u>101</u> |
| Net assets of discontinued operations | \$ | <u>85</u> |

| The results of the discontinued operations are as follows: | 13 weeks ended | | 39 weeks ended | | | | | |
|--|----------------|---------------|----------------|---------------|----|---------|----|---|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 | | | | |
| Revenue | \$ | 91 | \$ | - | \$ | 355 | \$ | - |
| Impairment charge | | (1,109) | | | | (1,109) | | |
| Expenses | | (383) | | - | | (1,243) | | - |
| Loss from discontinued operations | \$ | (1,401) | \$ | - | \$ | (1,997) | \$ | - |

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Notes to the Condensed Interim Consolidated Financial Statements

For the 39 weeks ended September 29, 2024 and September 24, 2023

(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

3. Material accounting policy information

a. Basis of preparation

The financial statements have been prepared in accordance with and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS”). The financial statements were approved and authorized for issue by the Board of Directors on October 31, 2024. The unaudited condensed interim 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 Company’s fiscal year (the “period”, “fiscal”, 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 2024 is a 52-week period and 2023 was a 53-week period. The Company’s results in fiscal 2024 reflect the unaudited condensed interim consolidated financial statements of Aegis and the St. Louis brand, with the Bridgehead brand and the Wing City brand presented as discontinued operations.

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 financial statements, with Bridgehead and Wing City presented as discontinued operations (see Note 2).

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 the former Company-operated coffeehouses and the sale of goods through retail and other ancillary channels of the Bridgehead business as well as the sales of goods from the former Company-operated Wing City restaurants. Management is organized based on the Company’s operating brands rather than the specific revenue streams.

c. Basis of consolidation

These financial statements incorporate the financial statements of the Corporation and its wholly owned subsidiaries:

- 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 Corporation 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 over the subsidiary and ceases when control of the subsidiary is lost. The income and expenses of new subsidiaries acquired or disposed during the year, as well as new subsidiaries incorporated during the year, are included in profit or loss from the date the Corporation gains control until the date when the Corporation ceases to control the subsidiary.

Aegis Brands Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the 39 weeks ended September 29, 2024 and September 24, 2023

(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

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

d. Business combinations

IFRS 3, Business Combinations, establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the assets and liabilities acquired; recognizes and measures the goodwill acquired in the business combinations; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company accounts for business combinations by applying the acquisition method.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

e. 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 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 unaudited condensed interim consolidated statements of operations and comprehensive loss.

4. 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:

| | September 29, 2024 | December 31, 2023 |
|--------------------------|-------------------------------|------------------------------|
| Deposits held with banks | \$ 242 | \$ 277 |
| Term deposits | 373 | 22 |
| Segregated cash | 740 | 504 |
| | <u>\$ 1,355</u> | <u>\$ 803</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.

Aegis Brands Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the 39 weeks ended September 29, 2024 and September 24, 2023

(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of:

| | September 29, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Accounts payable – trade ⁽¹⁾ | \$ 645 | \$ 1,312 |
| Accrued liabilities | 1,135 | 796 |
| Deferred share unit plan liabilities | 70 | 51 |
| Accrued salaries, wages, benefits and incentives | 913 | 336 |
| Other payables | 2 | 120 |
| | <u>\$ 2,765</u> | <u>\$ 2,615</u> |

⁽¹⁾ This amount includes short-term provisions

6. Lease liabilities

The following table outlines the total contractual discounted real estate lease liabilities as at September 29, 2024 and December 31, 2023:

| | September 29, 2024 | December 31, 2023 |
|-----------------------------------|-----------------------|----------------------|
| Year 1 | \$ 1,398 | \$ 1,829 |
| Year 2 | 1,178 | 1,526 |
| Year 3 | 900 | 1,294 |
| Year 4 | 646 | 910 |
| Year 5 | 528 | 814 |
| Thereafter | 462 | 1,149 |
| Less: future interest expense | (983) | (1,636) |
| Less: lease liabilities – current | (1,032) | (1,322) |
| Lease liabilities- non-current | <u>\$ 3,097</u> | <u>\$ 4,564</u> |

7. Deferred revenue

The movement of deferred revenue for the 39-week period ended September 29, 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 | 478 | 310 | 2,271 | 3,059 |
| Recognition into revenue | (610) | (512) | (2,456) | (3,578) |
| As at September 29, 2024 | <u>\$ 118</u> | <u>\$ 844</u> | <u>\$ 273</u> | <u>\$ 1,235</u> |

8. Long-term debt

The Corporation entered into a Development Line of Credit (“DLOC”) with CWB Franchise Finance (CWB) in fiscal 2021 in anticipation of acquiring more businesses in the food and beverage space. 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 used at or in connection with the corporately-owned St. Louis, as well as all improvements, additions, replacements and substitutions of the equipment,

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Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

and all proceeds thereof (including insurance proceeds), from Aegis, SLF Corporate Stores LP and Wing City Operations LP (the Corporate Guarantors) (and any control agreement with third party banks as required to perfect cash collateral security).

The following table outlines the balances in long-term debt at September 29, 2024 and December 31, 2023:

| | September 29, 2024 | December 31, 2023 |
|----------------------|-------------------------------|------------------------------|
| Long-term debt | \$ 27,229 | \$ 28,880 |
| Less current portion | (2,308) | (1,831) |
| | <u>\$ 24,921</u> | <u>\$ 27,049</u> |

9. Revenue

Franchise Revenue

| | 13 weeks ended | | 39 weeks ended | |
|--------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 |
| Royalties | \$ 1,520 | \$ 1,498 | \$ 4,426 | \$ 4,286 |
| Advertising fund contributions | 730 | 382 | 1,983 | 2,218 |
| Other franchise revenue | 1,756 | 1,897 | 5,611 | 5,607 |
| Corporate store revenue | 204 | 508 | 2,070 | 508 |
| | <u>\$ 4,210</u> | <u>\$ 4,285</u> | <u>\$ 14,090</u> | <u>\$ 12,619</u> |

10. Operating costs and expenses

| | 13 weeks ended | | 39 weeks ended | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 |
| Cost of Sales | | | | |
| Cost of product sales | \$ 95 | \$ 144 | \$ 816 | \$ 298 |
| Labour and related expenses | 85 | 140 | 699 | 262 |
| Overhead and other | 69 | 118 | 492 | 245 |
| | <u>249</u> | <u>402</u> | <u>2,007</u> | <u>805</u> |
| General and administrative expenses | | | | |
| Labour and related expenses | 1,537 | 1,362 | 4,666 | 4,465 |
| Overhead and other | 1,141 | 901 | 3,422 | 3,741 |
| | <u>2,678</u> | <u>2,263</u> | <u>8,088</u> | <u>8,206</u> |
| Other | | | | |
| Depreciation and amortization | 17 | 9 | 42 | 27 |
| Amortization of right-of-use assets | 34 | 35 | 183 | 99 |
| Amortization of intangible assets | 255 | 255 | 765 | 765 |
| Gain on disposals | - | - | (843) | - |
| Revaluation of securities, warrants and other | 7 | 20 | 11 | 4 |
| | <u>313</u> | <u>319</u> | <u>158</u> | <u>895</u> |
| | <u>\$ 3,240</u> | <u>\$ 2,984</u> | <u>\$ 10,253</u> | <u>\$ 9,906</u> |

Aegis Brands Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the 39 weeks ended September 29, 2024 and September 24, 2023

(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

11. Gain on disposals

During the second quarter, the Company sold the assets of two of its corporate stores. In accordance with IAS 16 (“Property plant and equipment”) and IFRS 16 (“Leases”), a gain on sale was recorded.

| | 39 weeks ended Sept. 29, 2024 |
|-----------------------------------|--|
| Net proceeds on sale | \$ 795 |
| Net assets (liabilities) disposed | (18) |
| Gain | <u>\$ 813</u> |

Also during the second quarter, the Company relocated its home office and disposed of its former home office lease. In accordance with IFRS 16, a \$30,000 gain on disposal was recorded.

12. Interest and financing expense

| | 13 weeks ended | | 39 weeks ended | |
|--------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 |
| Interest expense – lease liabilities | \$ 72 | \$ 104 | \$ 272 | \$ 322 |
| Interest expense | 670 | 676 | 2,088 | 2,377 |
| Interest income – finance leases | (68) | (90) | (220) | (288) |
| Interest income | (17) | (26) | (43) | (102) |
| | <u>\$ 657</u> | <u>\$ 664</u> | <u>\$ 2,097</u> | <u>\$ 2,309</u> |

13. Basic and diluted income (loss)

Income (loss) per share is based on the weighted average number of shares outstanding during the period. At September 29, 2024, 1,390,000 of the 1,775,000 stock options outstanding were excluded from the diluted weighted average number of shares due to their anti-dilutive impact. Basic and diluted income (loss) per share is determined as follows:

| | 13 weeks ended | | 39 weeks ended | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | Sept 29, 2024 | Sept 24, 2023 | Sept 29, 2024 | Sept 24, 2023 |
| Basic | | | | |
| Net income (loss) from continuing operations | \$ (287) | \$ 641 | \$ 1,140 | \$ 410 |
| Weighted average number of shares issued and outstanding | <u>85,287,167</u> | <u>85,287,167</u> | <u>85,287,167</u> | <u>77,530,050</u> |
| Basic income (loss) per share from continuing operations | \$ (0.00) | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| Net Loss from discontinued operations | (1,401) | (174) | (2,194) | (1,064) |
| Basic loss per share from discontinued operations | \$ (0.02) | \$ (0.00) | \$ (0.03) | \$ (0.01) |
| Basic income (loss) per share | <u>\$ (0.02)</u> | <u>\$ 0.01</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Diluted | | | | |
| Weighted average number of shares issued and outstanding | <u>85,287,167</u> | <u>85,287,167</u> | <u>85,287,167</u> | <u>77,530,050</u> |
| Effect of stock options | 385,000 | - | 319,963 | - |
| Weighted average number of shares (diluted) | <u>85,672,167</u> | <u>85,287,167</u> | <u>85,607,130</u> | <u>77,530,050</u> |
| Diluted income (loss) per share from continuing operations | \$ (0.00) | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| Diluted loss per share from discontinued operations | \$ (0.02) | \$ (0.00) | \$ (0.03) | \$ (0.01) |
| Diluted income (loss) per share | <u>\$ (0.02)</u> | <u>\$ 0.01</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |
| Total basic and diluted income (loss) per share | <u>\$ (0.02)</u> | <u>\$ 0.01</u> | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> |

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14. Supplemental cash flow information

| Changes in non-cash working capital | 39 weeks ended | |
|--|--------------------|--------------------|
| | September 29, 2024 | September 24, 2023 |
| Trade, and other receivables | \$ 936 | \$ (2,486) |
| Inventories | 17 | (49) |
| Prepaid expenses and other assets | (192) | (75) |
| Notes receivable | - | 258 |
| Accounts payable and accrued liabilities | (282) | (1,655) |
| Deferred revenue | (519) | (148) |
| Provisions | - | (300) |
| | <u>\$ (40)</u> | <u>\$ (4,455)</u> |

15. 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. It is believed that no significant losses or expenses above the amounts provided for in the 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.

16. 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. In fiscal 2024, the Company reorganized the support functions to entirely be under the Corporate segment, when in prior years some of these functions had been under the brand segment. As a result, all brand segments now represent only the direct revenue and expenses relating to the operation of the brands. 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 all shared groups who provide services to support its operating brands. Included in these shared groups are finance, human resources, marketing, procurement, and construction and development.

St. Louis

The Corporation owns 100% of the partnership interest of the St. Louis brand, which has 78 franchised and 1 corporate location Canada-wide. St. Louis products, such as sauces and frozen food products, are also sold in a growing number of grocery stores across Canada.

Discontinued Operations:

Bridgehead

The Company sold substantially all the assets of the Bridgehead business in the first quarter and as a result, the Bridgehead segment is presented as discontinued operations in these financial statements.

Wing City

The Company closed both of its Wing City locations during the quarter and is actively looking to sell the assets and exit the leases. As a result, the Wing City segment is presented as discontinued operations in these financial statements.

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Segmented Operations

Segmented Operations – 13 weeks ended September 29, 2024

| | Corporate | Bridgehead | St. Louis | Wing City | Total |
|--|------------|------------|-----------|------------|------------|
| Revenue from external customers | \$ - | \$ - | \$ 4,210 | \$ - | \$ 4,210 |
| Cost of sales | - | - | (249) | - | (249) |
| Other amounts in loss | - | - | (1,882) | - | (1,882) |
| Corporate overhead | (2,366) | - | - | - | (2,366) |
| Net income (loss) before income taxes | (2,366) | - | 2,079 | - | (287) |
| Income tax recovery | - | - | - | - | - |
| Net income (loss) from continuing operations | (2,366) | - | 2,079 | - | (287) |
| Discontinued operations after income taxes | - | - | - | (1,401) | (1,401) |
| Net income (loss) | \$ (2,366) | \$ - | \$ 2,079 | \$ (1,401) | \$ (1,688) |

Segmented Operations – 39 weeks ended September 29, 2024

| | Corporate | Bridgehead | St. Louis | Wing City | Total |
|--|------------|------------|-----------|------------|------------|
| Revenue from external customers | \$ - | \$ - | \$ 14,090 | \$ - | \$ 14,090 |
| Cost of sales | - | - | (2,007) | - | (2,007) |
| Other amounts in loss | - | - | (5,229) | - | (5,229) |
| Gain on disposals | - | - | 843 | - | 843 |
| Corporate overhead | (6,557) | - | - | - | (6,557) |
| Net income (loss) before income taxes | (6,557) | - | 7,697 | - | 1,140 |
| Income tax recovery | - | - | - | - | - |
| Net income (loss) from continuing operations | (6,557) | - | 7,697 | - | 1,140 |
| Discontinued operations after income taxes | - | (197) | - | (1,997) | (2,194) |
| Net income (loss) | \$ (6,557) | \$ (197) | \$ 7,697 | \$ (1,997) | \$ (1,054) |

Segmented Operations – 13 weeks ended September 24, 2023

| | Corporate | Bridgehead | St. Louis | Wing City | Total |
|--|------------|------------|-----------|-----------|----------|
| Revenue from external customers | \$ - | \$ - | \$ 4,285 | \$ - | \$ 4,285 |
| Cost of sales | - | - | (402) | - | (402) |
| Other amounts | - | - | (2,200) | - | (2,200) |
| Corporate overhead | (1,042) | - | - | - | (1,042) |
| Net income (loss) before income taxes | (1,042) | - | 1,683 | - | 641 |
| Income tax recovery | - | - | - | - | - |
| Net income from continuing operations | (1,042) | - | 1,683 | - | 641 |
| Discontinued operations after income taxes | - | (174) | - | - | (174) |
| Net income (loss) | \$ (1,042) | \$ (174) | \$ 1,683 | \$ - | \$ 467 |

Segmented Operations – 39 weeks ended September 24, 2023

| | Corporate | Bridgehead | St. Louis | Wing City | Total |
|--|------------|------------|-----------|-----------|-----------|
| Revenue from external customers | \$ - | \$ - | \$ 12,619 | \$ - | \$ 12,619 |
| Cost of sales | - | - | (805) | - | (805) |
| Other amounts | - | - | (7,876) | - | (7,876) |
| Corporate overhead | (3,528) | - | - | - | (3,528) |
| Net income (loss) before income taxes | (3,528) | - | 3,938 | - | 410 |
| Income tax recovery | - | - | - | - | - |
| Net income from continuing operations | (3,528) | - | 3,938 | - | 410 |
| Discontinued operations after income taxes | - | (1,064) | - | - | (1,064) |
| Net income (loss) | \$ (3,528) | \$ (1,064) | \$ 3,938 | \$ - | \$ (654) |

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(Unaudited, tabulated amounts expressed in thousands of Canadian dollars, except as noted)

Segmented Net Assets

Segmented Net Assets at September 29, 2024

| | Cash & Cash equivalents | Right-of-use Assets | Property & Equipment | Intangible Assets & Goodwill | Other Assets | Total |
|--|----------------------------|------------------------|-------------------------|------------------------------------|-----------------|------------------|
| Bridgehead | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| St. Louis | 963 | 191 | 243 | 47,936 | 4,443 | 53,776 |
| Wing City | - | - | 150 | - | 36 | 186 |
| Corporate | 392 | 1,146 | 30 | - | 294 | 1,862 |
| Total | 1,355 | 1,337 | 423 | 47,936 | 4,773 | 55,824 |
| Less: Assets of discontinued operations | - | - | (150) | - | (36) | (186) |
| Total Assets | \$ 1,355 | \$ 1,337 | \$ 273 | \$ 47,936 | \$ 4,737 | \$ 55,638 |

| | Accounts Payable & Accrued Liabilities | Lease Liabilities | Other Liabilities | Total |
|---|---|----------------------|----------------------|------------------|
| St. Louis | \$ 605 | \$ 2,840 | \$ 1,240 | \$ 4,685 |
| Wing City | 101 | - | - | 101 |
| Corporate | 2,160 | 1,289 | 27,729 | 31,178 |
| Total | 2,866 | 4,129 | 28,969 | 35,964 |
| Less: Liabilities of discontinued operations | (101) | - | - | (101) |
| Total Liabilities | \$ 2,765 | \$ 4,129 | \$ 28,969 | \$ 35,863 |

Segmented Net Assets at December 31, 2023

| | Cash & Cash equivalents | Right-of-use Assets | Property & Equipment | Intangible Assets & Goodwill | Other Assets | Total |
|--|----------------------------|------------------------|-------------------------|------------------------------------|-----------------|------------------|
| Bridgehead | \$ 454 | \$ 2,252 | \$ 1,329 | \$ 2,785 | \$ 1,319 | \$ 8,139 |
| St. Louis | 794 | 1,052 | 147 | 48,701 | 5,485 | 56,179 |
| Wing City | 1 | 1,327 | 1,244 | - | 25 | 2,597 |
| Corporate | 8 | - | - | - | 394 | 402 |
| | 1,257 | 4,631 | 2,720 | 51,486 | 7,223 | 67,317 |
| Less: Assets of Discontinued Operations | (454) | (2,252) | (1,329) | (2,785) | (1,232) | (8,052) |
| | \$ 803 | \$ 2,379 | \$ 1,391 | \$ 48,701 | \$ 5,991 | \$ 59,265 |

| | Accounts Payable & Accrued Liabilities | Lease Liabilities | Other Liabilities | Total |
|---|---|----------------------|----------------------|------------------|
| Bridgehead | \$ 1,783 | \$ 4,460 | \$ 419 | \$ 6,662 |
| St. Louis | 1,214 | 4,435 | 1,754 | 7,403 |
| Wing City | 177 | 1,363 | - | 1,540 |
| Corporate | 1,224 | - | 29,627 | 30,851 |
| | 4,398 | 10,258 | 31,800 | 46,456 |
| Less: Liabilities of Discontinued Operations | (1,783) | (4,372) | (419) | (6,574) |
| | \$ 2,615 | \$ 5,886 | \$ 31,381 | \$ 39,882 |

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17. Restructuring Costs

The Company approved a plan to restructure its business, including reduction of headcount at St Louis. The restructuring began in the third quarter during which the Company recognized a restructuring expense of \$613,000. The costs are expected to be paid through the last quarter of 2024 and into 2025.

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

| | <u>Employee - related</u> |
|--------------------------|---------------------------|
| Liability, Dec 31, 2023 | \$ - |
| Charged | 613 |
| Payments | - |
| Liability, Sept 29, 2024 | <u>\$ 613</u> |

18. Subsequent Event

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. The credit line is for a maximum of \$3 million, is revolving, bears interest at prime + 3.25% and is subject to a loan fee. The credit line is available for 36 months. Yogen Früz Canada Inc. is 100% owned by family members of a member of the Board of Directors of Aegis.