MTY FOOD GROUP INC.

8150 Trans-Canada Highway, suite 200
St-Laurent, Québec H4S 1M5

Annual Information Form
For the year ended November 30, 2015

February 15, 2016

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PRELIMINARY NOTES AND CAUTIONARY STATEMENT

Date of Information

Unless stated otherwise, the information presented in the Annual Information Form is as at November 30, 2015.

Currency

All currency references in this Annual Information Form are in Canadian dollars.

Information Incorporated by Reference

Certain information and document referred to in the document such as financial statements and management discussion and analysis are available on the Canadian System of Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's name.

In this Annual Information Form, "MTY Food Group Inc.", "MTY" or the "Company" designates, as the case may be, MTY Food Group Inc. and its subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

Non-GAAP Measures

In this Annual Information Form, MTY used earnings before interest, taxes, depreciation and amortization ("EBITDA"), because this measure enables management to assess the Company's operational performance. The Company also discloses same-store sales growth, which are defined as comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with GAAP and may not be comparable to those presented by other companies. These non-GAAP measures are intended to provide additional information about the performance of MTY, and should not be considered in isolation or as a substitute for measure of performance prepared in accordance with GAAP.

We use these measures to evaluate the performance of our business as they reflect its ongoing operations. We believe that certain investors and analysts use EBITDA to measure a company's ability to meet payment obligations or as a common measurement to value companies in our industry. Similarly, same-store sales growth provides additional information to investors about the performance of our network that is not available under GAAP. Both measures are components in the determination of short-term incentive compensation for some employees.

Cautionary Statement Regarding Forward-looking Information

This Annual Information Form contains forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company. Forward-looking statements also include any other statements that do not refer to historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this Annual Information Form describe our expectations at February 15, 2016 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and you are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this Annual Information Form for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of our business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this Annual Information Form are based on a number of assumptions that we believed were reasonable on February 15, 2016. Refer in particular to the section of this Annual Information Form entitled Risks Factors for a description of certain key economic, market and operational assumptions we have used in making forward-looking statements contained in this Annual Information Form. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this Annual Information Form include, but are not limited to: the intensity of competitive activity, and the resulting impact on our ability to attract customers' disposable income; our ability to secure advantageous locations and renew our existing leases at sustainable rates; the arrival of foreign concepts, our ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of our concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, our products; our ability to implement our strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide to us essential products and services; labour availability and cost; stock market volatility; operational constraints and the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from our expectations expressed in or implied by our forward-looking statements are discussed in this Annual Information Form.

We caution readers that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 15, 2016. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

CORPORATE STRUCTURE

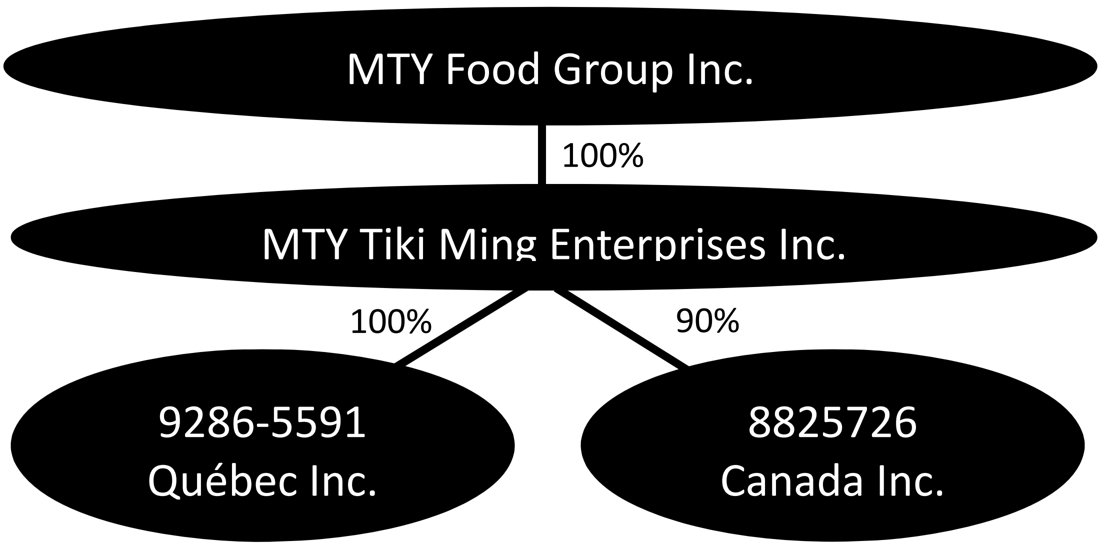
Name, Address and Incorporation of the Company

MTY Food Group Inc./Le Groupe d'Alimentation MTY inc. is a corporation established under the laws of the *Canada Business Corporations Act*. The Company was originally named 318782 B.C. Ltd. incorporated under the laws of the Province of British Columbia pursuant to Articles of Incorporation dated December 11, 1986 and changed its name to "Faber Resources Corp." on January 20, 1987. Subsequently, it changed its name to "Golden Sky Resources Inc.'' on November 12, 1987 and to "Golden Sky Ventures International Inc." on June 7, 1994. Golden Sky Ventures International Inc. was continued under section 187 of the *Canada Business Corporations Act* on July 26, 2000 and changed its name to "iNsu Innovations Group Inc.". On July 8, 2003, the name of the Company was changed from iNsu Innovations Group Inc. to "MTY Food Group Inc.".

The registered and head office of the Company is located at 8150 Trans-Canada Highway, suite 200, St-Laurent, Quebec, H4S 1M5.

Intercorporate Relationships

The diagram below describes the intercorporate relationships among the Company and its subsidiaries for which total assets or sales and operating revenue exceed 10 percent of the consolidated assets of the Company:



<u>MTY TIKI MING ENTERPRISES INC.</u>

MTY Tiki Ming Enterprises Inc./Les Entreprises MTY Tiki Ming inc. is a corporation resulting from an amalgamation, under section 184 of the *Canada Business Corporations Act*, of Matoyee Enterprises Inc. and MTY Tiki Ming Enterprises Inc. The amalgamation took place on June 1, 2005. On November 30, 2010, MTY Tiki Ming Enterprises Inc. was then amalgamated with five of its subsidiaries, namely, Mrs. Vanelli's Restaurants Limited, Country Style Food Services Holdings Inc., Country Style Food Services Inc., Buns Master Bakery Systems Inc. and Melody Farms Specialty Foods and Equipment Limited, under the name "MTY Tiki Ming Enterprises Inc./Les Entreprises MTY Tiki Ming Inc." ("Tiki Ming"). Tiki Ming is a wholly owned subsidiary of MTY.

On November 30, 2011, the Company amalgamated, in two separate transactions, fifteen of its wholly-owned subsidiaries in an effort to simplify the legal structure of the Company and reduce the administrative costs related to maintaining the legal entities active. The first transaction amalgamated MTY Tiki Ming Enterprises Inc. (the resulting entity) with Groupe Valentine Inc., 9180-7420 Québec Inc., 9196-3116 Québec Inc. and 9198-3031 Québec Inc. The second transaction was a horizontal amalgamation of 9171-6654 Québec Inc. (the resulting entity) with 9087-7002 Québec Inc., 9101-0652 Québec Inc., 9116-5829 Québec Inc., 9116-9979 Québec Inc., 9125-6735 Québec Inc., 9134-4366 Québec Inc., 9134-4374 Québec Inc., 9140-5886 Québec Inc., 9147-2282 Québec Inc., 9152-2136 Québec Inc. and 9156-8808 Québec Inc.

Tiki Ming's registered head office and principal place of business is located at 8150 Trans-Canada Highway, suite 200, St-Laurent, Quebec, H4S 1M5. Tiki Ming and its subsidiaries develop, acquire, make investments in and conduct the business of operating and franchising various concepts of the quick service and quick casual restaurant industry, together with all activities incidental thereto.

<u>9286-5591 Québec Inc.</u>

9286-5591 Québec Inc. was incorporated under the laws of Québec on August 8, 2013. It was established as a vehicle to acquire all of the assets of 9199-0465 Québec Inc. and of Alimentation Thaïzone Inc. The acquisition was completed on September 30, 2013. 9286-5591 Québec Inc. was originally 80% owned by MTY Tiki Ming Enterprises Inc., with the remainder of the shares held with the former owners. In March 2015, the MTY Tiki Ming Enterprises Inc. acquired the shares from the minority interest and became the sole shareholder of 9286-5591 Québec Inc.

9286-5591 Québec Inc.'s registered head office and principal place of business is located at 8150 Trans-Canada Highway, suite 200, St-Laurent, Quebec, H4S 1M5. 9286-5591 Québec Inc. operates the Thaïzone concept since the acquisition.

<u>8825726 Canada Inc.</u>

8825726 Canada Inc. was incorporated under the laws of Canada on March 20, 2014. It was established as a vehicle to acquire all of the Canadian assets of Madisons New York Grill & Bar ("Madisons"). The acquisition was completed on July 21, 2014.

8825726 Canada Inc.'s registered head office and principal place of business is located at 8150 Trans-Canada Highway, suite 200, St-Laurent, Quebec, H4S 1M5. 8825726 Canada Inc. operates the Madisons concept since the acquisition.

GENERAL DEVELOPMENT OF THE BUSINESS

3 Year History

<u>Highlights of the 2013 fiscal year</u>

During 2013, the Company closed 3 acquisitions:

On June 1st, the Company acquired the assets of SushiGo for a total consideration of $1.05 million, paid from the Company's cash on hand. At the time of closing, the SushiGo network had five restaurants in operation, two of which were corporately-owned.

On September 24, the Company acquired most of the assets of The Extreme Pita, Mucho Burrito and PurBlendz from a group of companies, for a total consideration of $45 million, paid from the Company's cash on hand. At the time of closing, Extreme Pita and Mucho Burrito had a combined 305 stores in operations, generating over $100 million in system sales. This acquisition was also the Company's first entry in the United States, where approximately 33 Extreme Pita and Mucho Burrito stores were in operation, being run from a satellite office located in Scottsdale, Arizona. A 51-102F4 report (Business Acquisition Report) was filed on December 4, 2013 in relation to this acquisition.

On September 30, the Company acquired 80% of the assets of Thaïzone via a newly formed subsidiary for a consideration of $17.7 million, which was paid from the Company's cash on hand and available credit facilities. At the time of closing, Thaizone had a network of 25 franchised restaurants and 3 mobile units, all of them located in the province of Quebec.

During the year, the number of outlets grew to 2,590, driven by the 338 outlets added via business acquisitions. This increase in the number of stores resulted in an increase in system wide sales, which reached $725.8 million during our 2013 fiscal year.

Net income attributable to owners grew by 17% to $25.8 million, fueled by increased revenues, improved profit margins and a more favorable tax burden.

Same-store sales decreased by 1.99% during the year. The uncertain economic climate in Quebec and Ontario and adverse weather conditions affected the results of some of our stores, with street front locations being the most severely hit.

Highlights of the 2014 fiscal year

During 2014, the Company closed 3 acquisitions:

During the year, the Company bought a 90% ownership position in a newly created subsidiary, which acquired the Canadian assets of Madisons on July 21, 2014, for a total consideration of $12.9 million. The acquisition was financed using a $3.0 million cash injection from the shareholders, a new credit facility and by a balance of sale of $1.3 million. At the date of closing, there were 14 franchised restaurants in operation, all of which are located in Quebec.

On October 31, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Café Dépôt, Muffin Plus, Sushi-Man and Fabrika, for a total consideration of $13.95 million. At the time of closing, there were 101 restaurants in operations, including 13 corporate ones. All of the restaurants are located in the province of Quebec, with the exception of one restaurant which is located in Ontario.

On November 7, 2014, the Company announced that it had completed the acquisition of 100% of the franchising operations of Van Houtte Café Bistros for a total consideration of $0.95 million. At the date of closing, there were 52 outlets in operations, including one corporately-owned restaurant. All of the restaurants are located in the province of Quebec.

During the year the Company acquired 167 stores, opened 145 and closed 175, bringing its network to 2,727 outlets. System wide sales reached $887.8 million during the 2014 fiscal year.

Net income attributable to shareholders declined slightly to 25.2 million[1], mainly because of an impairment charge taken on the trademark of Country Style. On a normalized basis, net income attributable to shareholders would have grown by 5%.

Same-store sales decreased by 0.9% during the year. The performance of our existing stores was adversely impacted by weather conditions in the first half of the year and by intense competitive pressures throughout the period.

On October 23, 2014, the Company announced it had signed a binding agreement regarding the acquisition of Manchu Wok, Wasabi Grill & Noodle and SenseAsian for a total consideration of $7.9 million. .

Highlights of the 2015 fiscal year

MTY's 2015 fiscal period started off with the closing of the acquisition announced on October 23, 2014. The acquisition added 132 stores to MTY's network, including 51 stores in the United States.

[1] 2014 financial statements were restated to reflect the impact of the consolidation of 7687567 Canada Inc., which was classified as held for sale at the end of 2014. It was determined during 2015 that the sale of the investment in 7687567 Canada Inc. was no longer likely.

On September 18, 2015, the Company closed the acquisition of Big Smoke Burger. MTY paid \$3.0 million for 60% of the shares of a newly created subsidiary, adding 17 stores to its network and a strong pipeline of potential stores.

During the year, the Company opened 120 new stores and closed 258. Including the additions attributable to acquisitions, the Company's network grew by 11 stores, to reach 2,738. System wide sales were at a historical high, at \$1.07 billion.

Impairment charges had to be taken against some of the Company's intangible assets. The main driver was the decline of the Extreme Pita network, which has been experiencing some difficulties in the recent years. The total impairment charge was \$8.1 million. Adversely affected by this charge, the growth in net income was 3%, with net income attributable to owners growing to \$26.0 million. On a normalized basis, the growth in net income attributable to owners was 18% for the year.

Same store sales declined by 0.5%. After a strong start of 2015, Western Canada was impacted by job losses and difficult economic conditions, while the rest of Canada remained under strong competitive pressure, resulting in an average decline in the second half of the year.

DESCRIPTION OF THE BUSINESS OF THE COMPANY

Overview

The Company is among Canada's leading franchisors of the restaurant industry. Its activities mainly consist of franchising multiple concepts in the quick service restaurant (''QSR'') and casual dining segments of the restaurant industry. Its multi-concept model allows the Company to position itself across a broad range of demographic, economic and geographic sectors. The Company's concepts are as follows:

Brief Description of the Company's Concepts:

Au Vieux Duluth Express®
Quick service restaurants featuring Greek style menu items.

Big Smoke Burger ®
Fast casual, fresh gourmet burger restaurants.

Buns Master®
Retail bakery stores offering complemented assortment of deli items, made-to-order sandwiches, pizzas and desserts.

Café Dépôt ®
Quick service restaurant offering specialty coffee and teas as well as gourmet sandwiches and pastries.

Country Style®/Country Style Bistro Deli
Quick service restaurants offering coffee, donuts, pastries, sandwiches, soups, salads and other related items.

Croissant Plus®
Quick service cafés featuring baked goods, salads, soups, croissants, sandwiches, hot meals and related dishes.

Cultures®
Quick service restaurants featuring salads, soups, sandwiches, smoothies, baked goods, hot meals and other related items.

Extreme Pita ®
Quick service restaurants featuring healthy, great tasting pita sandwiches

Fabrika ®
Quick service restaurants featuring salads, soups, sandwiches, smoothies, baked goods, hot meals and other related items.

Franx Supreme®
Quick service restaurants featuring hot dogs, french fries, poutine, chicken nuggets, hamburgers and other related sandwiches.

Jugo Juice®
Quick Service concept offering a delicious menu of smoothies, grilled wraps and flatbreads in convenient locations.

Kim Chi Korean Delight®
Authentic Korean cuisine quick service restaurants featuring dishes such as kalbi (Korean BBQ), japchae (transparent noodles), tupogi (rice-cake stir-fry), and bibim-bap (mixed vegetables and rice).

Koryo Korean Barbeque®
Quick service restaurants offering barbeque grilled meat and fish as well as other Korean delicacies.

Koya Japan®
Japanese style quick service franchises featuring Teppan style food cooked in front of customers, sushi and noodle soups.

La Crémière®
Ice cream bars featuring ice cream and related items.

Madisons New York Grill and Bar ®
Casual dining restaurants offering a North American menu, featuring steaks, ribs, seafood and salads.

Manchu Wok ®
Quick service restaurants featuring Chinese style menu items.

Mr. Souvlaki®
Greek-style quick service restaurants featuring grilled meat and other Greek menu items.

MR SUB®
Quick service restaurants offering a variety of quality submarine sandwiches freshly prepared.

Mucho Burrito ®
Fast casual restaurants featuring a fresh, made to order Mexican menu

Muffin Plus ®
Quick service restaurants featuring salads, soups, sandwiches, smoothies, baked goods, hot meals and other related items.

O'burger®
Quick service restaurants offering gourmet burgers.

Panini Pizza Pasta®
Quick service Italian style food restaurant featuring pizza, pasta, salads and other related items.

Sukiyaki®
Japanese style quick service restaurant featuring Teppan style food cooked in front of customers, sushi and noodle soups.

Sushi Go ®
Sushi Go is a quick service concept of restaurants offering a wide variety of sushis, soups, salads and teas.

Sushi-Man ®
Sushi-Man is a quick service concept of restaurants offering a wide variety of sushis, soups and salads.

Sushi Shop®
Quick service restaurant featuring sushi and maki, as well as salads and noodles.

Taco Time®/Taco Time Cantina
Quick service restaurants offering authentic Mexican foods.

Tandori
Franchised outlets offering quick service authentic Indian foods.

TCBY®
Quick service outlets featuring frozen yogurt and related items.

Thaï Express®/ Pad Thaï Delights Thaï Cuisine
Quick service restaurants featuring fresh Thaï style menu items.

Thaïzone ®
Quick service restaurants featuring fresh Thaï style menu items.

Tiki Ming®
Quick service restaurants featuring Chinese style menu items.

Tosto Quickfire Pizza Pasta ®
Fast premium concept offering a wide range of fresh made pastas and handcrafted Romano pizzas.

Tutti Frutti®
Casual dining restaurants offering full service breakfast and lunch.

Vanellis®
Quick service Italian style food restaurants featuring pizza, pasta, salads and other related items.

Valentine®
Quick service restaurants offering North American food, more specifically hot dogs, fresh french fries, poutine and hamburgers.

Van Houtte ®
Quick service restaurant offering specialty coffee and teas as well as gourmet sandwiches and pastries.

Villa Madina®
Quick service restaurants featuring Lebanese style menu items.

Vie & Nam®
Quick service restaurants offering authentic Vietnamese foods.

Wasabi Grill & Noodle ®
Japanese style quick service franchises featuring Teppan style food cooked in front of customers, sushi and noodle soups.

Yogen Früz®
Quick service outlets featuring frozen yogurt, frozen treats and related items.

Restaurant Industry

The foodservice industry is a dynamic, innovative and important sector of the Canadian economy. Canadians household spend an average of 3.3% of their budget in restaurants[2]. Consumers, tourists and business travelers spend on average $200M daily to enjoy the hospitality provided by Canada's restaurants, cafeteria, snack bar, pub or caterer locations, most of which are locally owned and operated by independent entrepreneurs in communities across the country. Canadian households were expected to spend 38.6% of their food dollars in restaurants in 2015, a slight increase compared to 2014. The average American household spends 47.0% of its food dollars in restaurants, a figure that has been stable for the last 3 years[3].

Total foodservice sales were forecasted to grow over $74 billion in 2015. One of the country's largest employers, the foodservice industry provides jobs for more than 1.2 million Canadians[4].

The restaurant industry is divided into 2 categories i) the commercial foodservice and, ii) the non-commercial foodservice.

The commercial foodservice includes operations whose primary business is food and beverage service and accounts for approximately 80% of the total restaurant industry's market share[5]. Commercial Foodservice sales are expected to reach over $62 billion in 2016[6].

The commercial foodservice is segmented as follows:

- <u>Full Service Restaurants (43% market share of the commercial foodservice):</u>
  Includes licensed and unlicensed fine-dining, casual and family restaurants as well as restaurant-bars.
- <u>Limited Service Restaurants (44% market share of the commercial foodservice):</u>
  Includes quick-service restaurants, cafeterias, food courts and take-out and delivery establishments.
- <u>Social and Contract Caterers (9% market share of the commercial foodservice):</u>
  Includes contract caterers supplying food services to airlines, railways, institutions and at recreational facilities, as well as social caterers providing food services for special events.
- <u>Drinking Places (4% market share of the commercial foodservice):</u>
  Includes bars, taverns, pubs, cocktail lounges and nightclubs primarily engaged in serving alcoholic beverages for immediate consumption. These establishments may also provide limited food service.

[2] Source: Restaurant Central (restaurantcentral.ca), Spending at restaurants in 2014.
[3] Source: Restaurants Canada, Foodservice Facts 2015, Market Review and Forecast
[4] Source: Restaurants Canada, Foodservice Facts 2015, Market Review and Forecast
[5] Source: Restaurants Canada, Foodservice Facts 2015, Market Review and Forecast
[6] Source: Restaurants Canada, Restaurant Industry Forecast, Reference Period 2015-2019

The non-commercial foodservice accounts for 20%[5] of the total restaurant industry market share. It includes self-operated foodservice in establishments whose primary business is something other than food and beverage service. Branded restaurants in any of these settings are counted in commercial restaurant sales if they are owned by the restaurant chain.

The non-commercial foodservice is segmented as follow:

- Accommodation Foodservice (42% market share of the non-commercial foodservice):
  Foodservice in hotels, motels and resorts.
- Other Foodservice (58% market share of the non-commercial foodservice):
  Includes foodservice in hospitals, residential care facilities, schools, prisons, factories and offices. Also includes vending, sports and private clubs, movie theatres, stadiums and other seasonal or entertainment operations.

There are 91,254 commercial foodservice units in Canada[7], or 25 units per 10,000 Canadians. 60% of restaurants in Canada are independent brands. Chain restaurants account for the remaining 40% but represent 77% of the traffic and 64% of the dollars spent in restaurants[8].

On a per capita basis, restaurant sales are typically highest in the provinces where consumers have above-average levels of disposable income and where there is no provincial sales tax on meals.

The table below provides details on the unit count and sales per province for 2014 for the commercial foodservice establishments[9]:

	Units	2014 Sales (in millions)	Average unit volume (in thousands)	Units per 10,000 citizens
BC	13,625	$8,895	$653	29.1
Alberta	10,178	$8,710	$856	24.3
Saskatchewan	2,304	$1,799	$781	20.3
Manitoba	2,501	$1,675	$670	19.3
Ontario	34,294	$22,289	$650	24.9
Quebec	22,034	$10,676	$485	26.7
New Brunswick	1,746	$1,012	$579	23.2
Nova Scotia	2,171	$1,396	$643	23.0
PEI	376	$203	$541	25.7
Newfoundland and Labrador	1,134	$824	$726	21.5

[7] Source: Restaurants Canada, Foodservice Facts 2015, Market Review and Forecast
[8] Source: Restaurants Canada, Foodservice Facts 2015, Market Review and Forecast
[9] Source: Restaurants Canada, Foodservice Facts 2015, Market Review and Forecast

In 2013, the average pre-tax profit of restaurants in Canada was 4.3% of operating revenues (5.4% for quick service restaurants), up from 4.2% a year earlier. Pre-tax profit margins are the highest in Saskatchewan and Alberta. The most important expenses were cost of sales at 34.0% of sales, salaries and wages at 31.5% of sales and rental and leasing costs, at 8.2% of sales[10].

The Company's current market share is difficult to estimate, due to the continued addition of concepts to the Company and the constantly changing competitive landscape. According to Kostuch Media Ltd, MTY's portfolio of brands contains 14 of the top 100 Canadian Restaurant Brands, and an additional 11 brands in the next 30[11].

Development of the Business

A number of the Company's concepts were developed internally while the others were added through the several acquisitions completed by MTY over the years. The table below lists those concepts developed by MTY:

Concept	Year of launch of first location
Tiki Ming®–Chinese Cuisine	1983
Sukiyaki® - A Japanese delight	1988
Franx Supreme® – hot dog/hamburger	1989
Chick'n'Chick[1]	1995
Panini Pizza Pasta®	1995
Carrefour Oriental	1996
Caferama®[2]	1999
Au Vieux Duluth Express®, through an exclusive area development agreement for Quebec and Ontario	2002
Villa Madina®	2003
Kim Chi Korean Delight ®	2006
Vie & Nam®	2008
Tandori	2008
O'Burger®	2008
Tosto Quickfire Pizza Pasta ®	2015

[1]- The last Chick'n'Chick outlet closed during the 2013 fiscal period
[2]- The last Caferama outlet was closed during the Company's 2012 fiscal period.

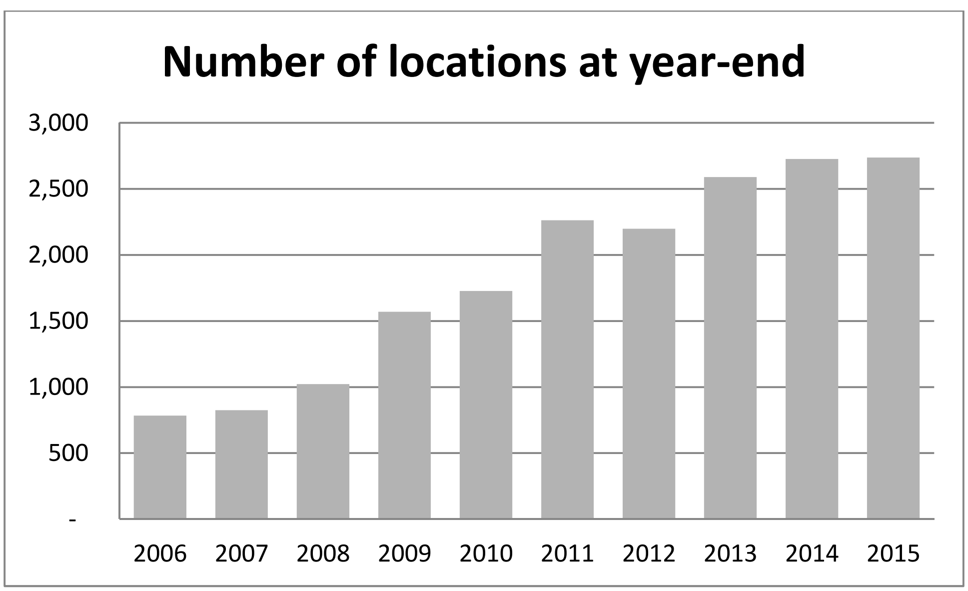
[10] Source: Restaurants Canada, 2015 Operations Report
[11] Source: Foodservice and Hospitality, The Annual Top 100 Report, June 2015

The following table provides details on the acquisitions completed by MTY to date:

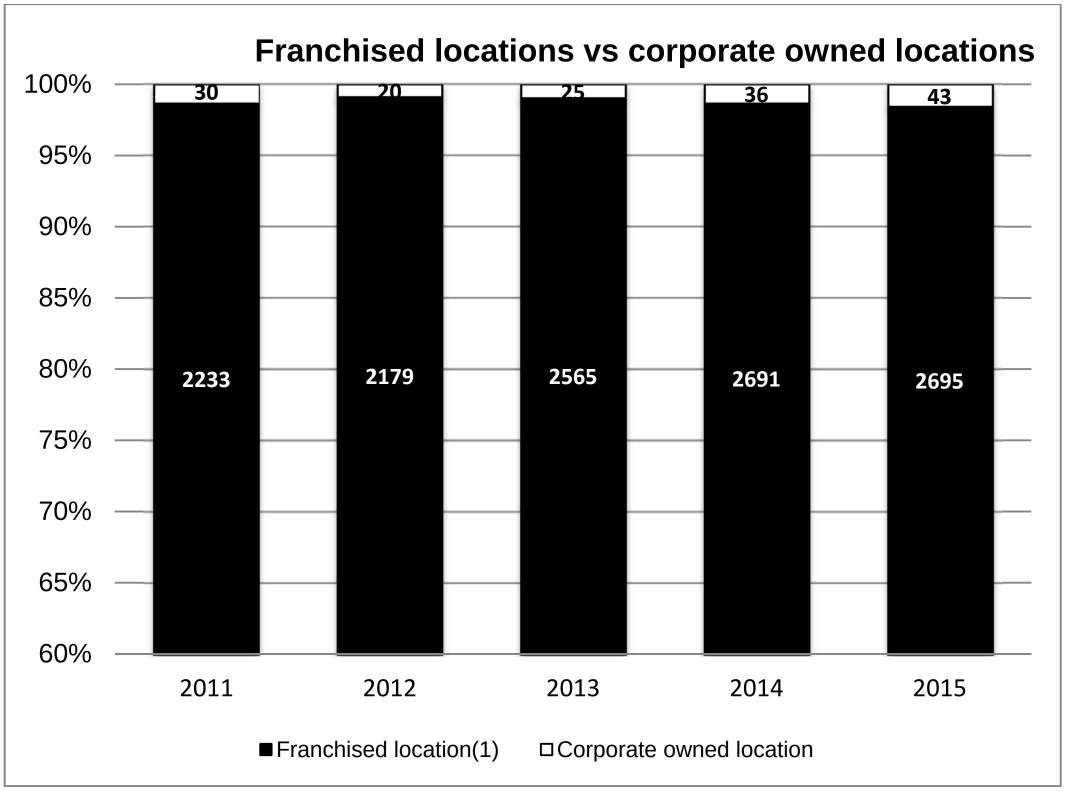
Concept acquired	**Year acquired**	**Number of locations franchised or subject to an operator agreement**	**Number of corporate owned locations acquired**	**Total Number of locations acquired (franchise and corporate owned)**
Fontaine Santé/Veggirama®	1999	18	0	18
La Crémière®	2001	71	3	74
Croissant Plus®	2002	18	2	20
Cultures®	2003	24	0	24
Thai Express®	*2004*	6	0	6
Mrs. Vanellis®	2004	103	0	103
Canadian master franchise right of "TCBY®" The Country's Best Yogurt	2005	91	0	91
Master franchise rights for Canada of Yogen Früz™	2006	152	0	152
Sushi Shop®	2006	42	5	47
Koya Japan®	2006	24	0	24
Sushi Shop® corporate locations	2007	0	15	15
Tutti Frutti®	2008	29	0	29
Master franchise right for Canada of Taco Time®	2008	117	0	117
Country Style® & Buns Master®	2009	475	5	480
Valentine®	2010	86	9	95
Jugo Juice®	2011	134	2	136
MR. SUB®	2011	338	0	338
Koryo Korean Barbeque®	2011	19	1	20
Mr Souvlaki®	2012	14	0	14
Sushi Go ®	2013	3	2	5
Extreme Pita ® and Mucho Burrito ®	2013	300	5	305

Concept acquired	Year acquired	Number of locations franchised or subject to an operator agreement	Number of corporate owned locations acquired	Total Number of locations acquired (franchise and corporate owned)
Thaïzone ®	2013	28	0	28
Madisons New York Grill & Bar ®	2014	14	0	14
Café Dépôt ®, Sushi-Man ®, Muffin Plus ® & Fabrika ®	2014	88	13	101
Van Houtte ®	2014	51	1	52
Manchu Wok ®, SenseAsian ®, Wasabi Grill & Noodle ®	2015	115	17	132
Big Smoke Burger ®	2015	13	4	17

The growth in the number of locations over the last 10 years came primary from the acquisitions described above. However new locations are frequently opened thus also contributing to the growth in MTY's location count. As at November 30, 2015, 2,738 locations were in operation. The chart below provides details on the locations growth over the last 10 years:



Out of the 2,738 locations in operation, 2,695 were franchised or subject to an operator agreement and the remaining 43 locations are operated by MTY. The following chart provides historical details on the breakdown between the number of franchised locations and corporate owned locations:



(1) *Franchised or subject to an operator agreement*

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations. The table below provides the breakdown of MTY's locations unit counts and system wide sales by type as at the two most recent completed fiscal years:

Location type	% of location count		% of system sales Year ended	
	November 30, 2015	November 30, 2014	**November 30, 2015**	November 30, 2014
Shopping mall & food court	**41%**	38%	**44%**	40%
Street front	**40%**	40%	**44%**	50%
Non-traditional format	**19%**	22%	**12%**	10%

The geographical breakdown of MTY's locations and system sales consists of:

Geographical location	% of location count		% of system sales Year ended	
	November 30, 2015	November 30, 2014	**November 30, 2015**	November 30, 2014
Ontario	**39%**	41%	**29%**	31%
Quebec	**30%**	31%	**36%**	35%
Western Canada	**20%**	21%	**24%**	27%
Maritimes	**3%**	3%	**2%**	2%
International	**8%**	4%	**9%**	5%

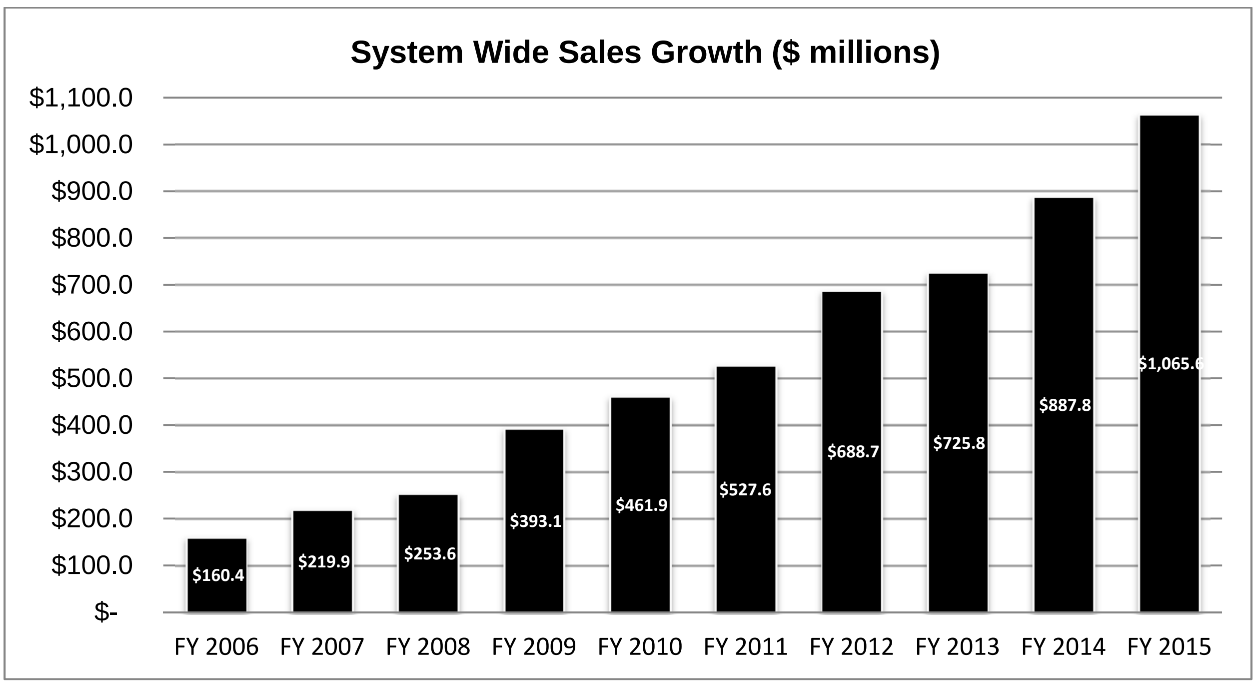
The location count by concepts at November 30, 2015 is as follows:

Au Vieux Duluth Express®	11
Big Smoke Burger ®	18
Buns Master®	7
Café Dépôt ®	62
Country Style®	404
La Crémière®	61
Croissant Plus®	1
Cultures®	60
Extreme Pita ®	169
Fabrika ®	3
Franx Supreme®	7
Jugo Juice®	132
Kim Chi Koren Delight ®	11
Koya Japan®	23
Koryo Korean Barbeque®	15
Madisons ®	14
Manchu Wok ®	118
Mr Souvlaki®	14
MR.SUB®	291
Mucho Burrito ®	96
Muffin Plus ®	25
O`burger®	14
Panini®	1
Sukiyaki®	28
Sushi-Man ®	10
SushiGo ®	5
Sushi Shop®	134
Taco Time®	124
Tandori ™	21
TCBY®	48
Thaï Express® / Pad Thaï	281
Thaïzone ®	35

Tiki Ming®	54
Tosto Quickfire Pizza Pasta ®	2
Tutti Frutti®	44
Valentine®	100
Vanelli's®	95
Van Houtte ®	44
Vie & Nam®	4
Villa Madina®	45
Wasabi Grill & Noodle ®	1
Yogen Fruz®	106
Total	2,738

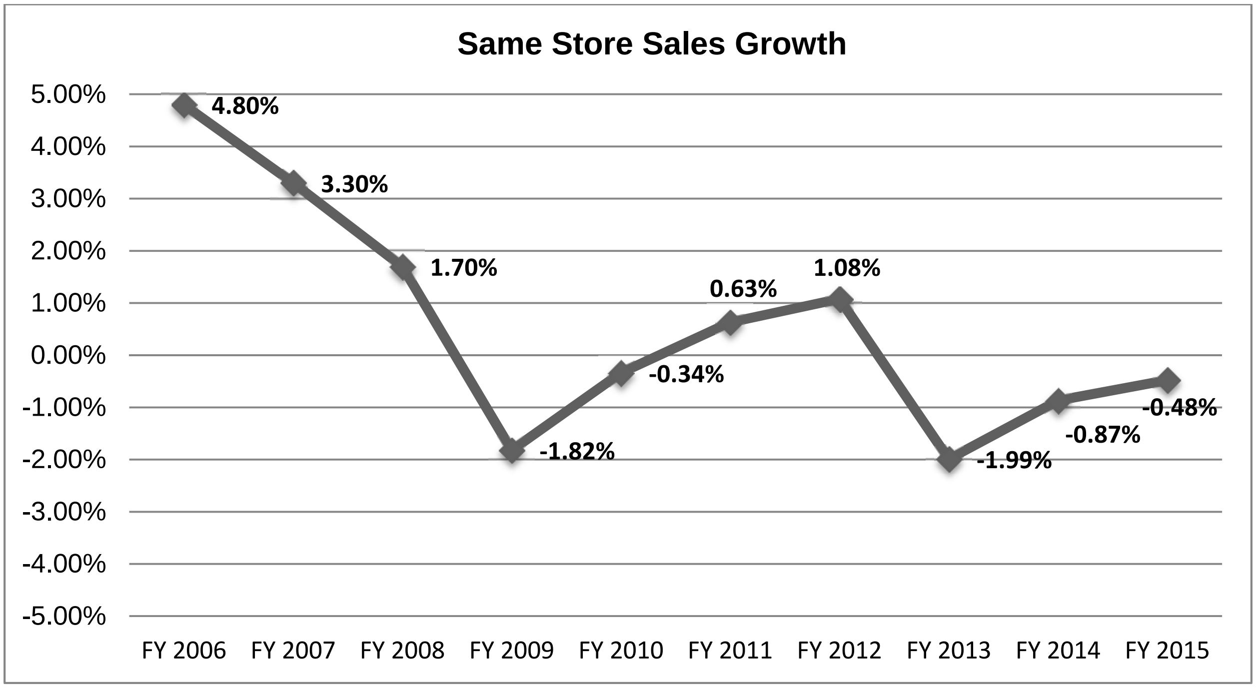
System Sales

The following chart shows the growth in system sales realized during the last 10 fiscal periods:



Same store sales

The following chart shows the growth in same store sales in the last 10 fiscal years:



Seasonality of System Sales

The Company expects that seasonality not to be a material factor in the quarterly variation of its system sales. System sales fluctuate seasonally, during January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping center locations. Sale for shopping malls locations are also higher than average in December during the Christmas shopping period.

Supplies and Distribution

Franchisees are required to purchase the majority of their ingredients, products, materials, supplies and other items which are necessary for the operation of their businesses directly through Company’s authorized distributors. The Company has a purchasing department that is responsible for leveraging the buying power of the Company to deliver the goods and services required in the operation of the locations. The supply and distribution arrangements are managed by the Company’s purchasing department. Under these arrangements, independent distributors authorized by the

Company purchase certain products directly from the Company’s approved suppliers and then store, sell and distribute them to the Company`s locations.

Fluctuations of price are passed through to the Company owned and franchise locations. These arrangements help assure the availability of products and provide quality control measures and efficient distribution of these products to the locations. Most goods and services required for the operations of the locations are generally available and can be provided from alternate suppliers. The Company supplies two of its concepts through its St-Hyacinthe, Quebec distribution center.

Franchise Operation

The legal relationship with the Company’s franchisees is governed by a franchise agreement for a term that is typically 10 years for traditional locations and typically 3 to 5 years for non-traditional locations. Apart from some non-traditional locations, each location is subject to a separate franchise agreement. The franchise agreement grants the right to use the trade marks in association with concepts within a limited area and specifies comprehensive standards of practice governing all relevant operational matters. The initial franchise fee usually ranges from $25,000 to $50,000 for traditional locations and from $5,000 to $17,500 for non-traditional locations. Pursuant to the franchise agreement, the Company collects an ongoing royalty fee from each franchisee of approximately 4.5% to 7% of gross sales. For most concepts, the Company either relies on franchisees to accurately report their gross sales on a frequency as prescribed in their franchise agreement or polls the sales directly from the point of sale system in place in the store.

For other concepts, the royalty fees are built-in the price of the products and are collected by the Company through authorized distributors. Each franchise agreement specifies additional payments to be made to the Company by each franchisee. The franchise agreement also sets out the parameters of employee training, technical assistance and other services to be provided to franchisees by the Company. A franchise agreement may not be assigned by the franchisee. Each franchise agreement may be terminated upon certain prescribed circumstances.

Approximately 405 locations are controlled by 22 groups of franchisees owning 5 or more locations.

Sources of Revenue

The Company’s revenues come from the following sources:

Franchising

Franchising revenues include various revenues generated by the franchising operations, as described below. During the years ended November 30, 2015 and 2014, such revenues represented 70% and 78% of consolidated revenues respectively.

- Royalty fees. The Company collects an ongoing royalty fee from each franchisee with the fee generally ranging between 4.5% and 7% of gross sales depending on the concepts and is, in general, payable on a monthly basis.

- Initial franchise fees. The Company charges an initial franchise fee usually ranging from $25,000 to $50,000 ($5,000 to $17,500 for non-traditional locations) at the commencement of the initial term of the franchise agreement. The fees are recognized as revenue when substantially all of the initial services as required by the franchise agreement have been performed. This usually occurs when the location commences operations.

- Master license fees. The Company charges a master license fee when it grants territorial rights for the development of its concepts. The master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed.

- Renewal fees. The Company charges a fee upon the re-grant of an expired franchise. Depending on the concept, the fee ranges from $1,000 to $5,000 per renewed year. Renewal fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed.

- Revenue from sale of franchise locations. In some cases, the Company manages the construction of a new restaurant, which is then delivered on a ‘’turn-key’’ basis to the franchisee on completion. Restaurant construction and renovation revenue is recognized by reference to the stage of completion of the contract activity at the end of the reporting period.

- Sales of Goods and Supplies. Franchisees are required to purchase certain supplies used and sold at their locations from the Company, which the Company provides to the franchisees at a profit. Revenues are recognized when goods are delivered. The company also generates some administration fees from reselling services to its franchisees.

- Rental income. The Company earns rent revenues on certain properties and leases it holds and sign rental revenue. For many locations, the Company leases the premises occupied by the franchisee from the owner of the property, and subleases these premises to the franchisee. In some cases, the Company charges percentage or additional rent as a supplement to the rent per lease agreement between the owner of the property and the Company for the obligations incurred by the Company pursuant to such lease. In some other cases, the Company acts as an agent and doesn't recognize revenues or expenses in its consolidated financial statements.

- Supplier considerations. The Company receives considerations from suppliers. Supplier contributions are recognized in the month they are earned.

- Transfer fees & other fees. The Company charges a fee for the transfer of a franchise, documenting changes to the franchise agreement and other documents, providing plans and specifications for store design and for construction supervision.

Distribution revenue

The Company earns revenue from distributing food and restaurant supplies to its Valentine and Franx Supreme locations. Revenues are recognized once the goods have been delivered to the franchise location. Distribution revenues have represented 4% and 5% of total revenues for 2015 and 2014 respectively.

Revenue from food processing

The Company earns revenues from producing a variety of food products. Food processing revenues are recognized when goods have been delivered to end-users or when significant risks and rewards of ownership have been transferred to distributors or retailers. Food processing revenues have represented 6% and 7% of total revenues in for 2015 and 2014 respectively.

Revenue from corporate owned locations

The Company also generates revenues from the restaurant locations which it owns and operates. Revenue from corporate-owned locations is recorded when services are rendered. Revenues from corporate owned locations have represented 21% and 10% of total revenues for 2015 and 2014 respectively.

Management

The Company's ability to attract and retain skilled management personnel has been a key factor in the development of its restaurant system. The Company benefits from a management team that is highly experienced in the restaurant industry. The loss of some key management personnel could have a material impact on the operations of the Company.

Employees

As at November 30, 2015, the Company and its subsidiaries had approximately 560 employees working more than 20 hours per week (271 office employees, 5 employees at its distribution center, 72 at its food processing plant and 212 employees at the corporate-owned locations).

Intellectual Properties

The intellectual properties are sublicensed by the Company to franchisees. Maintaining and increasing “brand identity” through the use of intellectual properties is a key element to the success of the Company. The intellectual properties owned and used by the Company include trademarks that are registered or pending registration under the *Trade-marks Act* in Canada or other international trade mark agencies, unregistered trademarks and other trademarks relating to the concepts Au Vieux Duluth Express®, TCBY®, Yogen Früz® and Taco Time® are licensed by the Company. The rights for the Company to use these licensed trademarks and related intellectual properties, to operate and franchise the concepts Au Vieux Duluth Express®, TCBY®, Yogen Früz® and Taco Time® are governed pursuant to the following Master Franchise or Development agreements.

<u>Au Vieux Duluth Express Area Development Agreement</u>

Au Vieux Duluth Express Area Development Agreement dated May 2, 2002 for the provinces of Quebec and Ontario between Restaurants Au Vieux Duluth Inc. and Tiki Ming. The original agreement was for a term of 10 years, from May 2, 2002 to May 1, 2012 and includes a 10 years option to renew, at Tiki Ming’s option, which is subject to certain conditions. Following the expiry of the original term, the agreement has been renewed from month to month.

<u>Yogen Früz Master Franchise Agreement</u>

Master Franchise Agreement dated March 30, 2006 between Yogen Früz Canada Inc. and Tiki Ming and Canadian Master Franchise Rights Agreement dated January 31, 2006 between Yogen Früz Canada Inc., Tiki Ming and MTY Food Group Inc. for the exclusive territory of Canada for a term of 20 years, from April 1, 2006 to March 31, 2026 plus a 10 years option to renew pursuant to certain conditions.

TCBY Transnational Master Franchise Agreement

TCBY Transnational Master Franchise Agreement dated February 20, 1992, as amended and assigned from time to time, between TCBY Systems, LLC (formerly TCBY Systems, Inc and Tremlac Food Canada Limited/Les Aliments Tremlac Canada limitée (as assigned by Daniel Tremblay and Paul Lachance, and later Donald Foley) and, as assigned to Tiki Ming on September 28, 2005 for the territory of Canada expiring on December 31, 2025.

Taco Time Master Franchise Agreement

Master Franchise Agreement (formerly named Canada Area Franchise Agreement) dated March 13, 1978, as amended from time to time, between Kahala Franchise Corp. (formerly Taco Time International Inc.) and Taco Time Canada Inc. (formerly Taco Food (Canada) Inc.) as assigned to Tiki Ming on October 13, 2008 for the territory of Canada for an unlimited term pursuant to certain conditions.

The above mentioned agreements are collectively referred to as the "Master Agreements". Restaurants Au Vieux Duluth Inc., Yogen Früz Canada Inc., TCBY Systems, LLC and Kahala Franchise Corp are collectively referred to as the ''Franchisors''.

Marketing

Pursuant to the franchise agreements, franchisees must pay a fee ranging from 1% to 4% of gross sales depending on the concept to the promotional fund. These amounts are collected by the Company in its capacity as agent and used for promotional and advertising purposes, since the amounts are set aside to promote the respective concepts. In addition to the fund, supplementary marketing activities are funded by franchisees for local advertising and promotions.

Target Market

Historically, the Company has focused its expansion in the Canadian market. In 2013, the Company acquired a franchise system in the United States, which is operated by the Company's new office in Scottsdale, Arizona. The acquisition of the Manchu Wok franchise system in 2015 brought additional stores to the existing base in the United States. At November 30, 2015 there were 68 stores operating in the United States. It is the intention of the Company to grow its franchise system in the future by leveraging the base that was newly acquired.

Through master license agreements, the Company also plans to further develop its concepts at the international level. Currently, 142 locations are operating outside North

America in the countries of United Arab Emirates, Bahrain, Qatar, Kuwait, Saudi Arabia, Jordan, Morocco, the United Kingdom, Lebanon, Hungary and India.

Competition

The quick service restaurants and casual dining segments of the commercial foodservice industry have low barriers to entry and therefore are highly competitive. Competition comes from both established competitors, some of which might have resources greater than we have, and potential new market entrants. Each one of the Company`s locations competes with other commercial foodservice operations within the same geographical area. Competition, in the broadest perspective, includes restaurants, quick service restaurants, take-out and delivery operations, coffee shops, street vendors, convenience food stores, delicatessens and supermarkets. Each one of the Company`s locations competes with other operations in its local market primarily through the quality, variety and value perception of food products offered and the quality of services offered to its customers. The unit count of the Company's banners, the site of the Company's locations, the quality and speed of service, the attractiveness of facilities, and the effectiveness of marketing and new product development are also important competitive factors.

Competitive Strengths

The success of the Company can be attributed to the following factors:

- With over 30 years in the restaurant franchising industry, the Company has developed expertise and built a solid reputation with its landlords and franchisees enabling the company to maintain its expansion.
- The multi-concept model allows the Company to position itself across a broad range of demographic, economic and geographic sectors.
- The relatively affordable cost of capital for becoming a franchisee of one of MTY's concepts ranges from $150,000 to $550,000 and between $30,000 and $120,000 for non-traditional locations, offering a competitive cost of entry and various options for franchisees to choose from.
- Strong growth enables the Company to gain purchasing power and therefore offer its franchisees competitive pricing on products, supplies and advertising buying.

Strategy

The company intends to increase its market share by:

- <u>Same store sales growth</u>
  The Company's strategy to improve same store sales growth includes advertising, introduction of new products, innovation, excellence in operations

and continued training, all with a focus of increasing customer count and average check.

- Concepts image upgrade and menu innovations
  The Company intends to continue to innovate by introducing new menu items or new concepts and upgrading the image of its existing concepts.

- Increase restaurant profitability
  The profitability of the restaurants in the Company's network is critical to our franchise partners. We believe constant focus on increasing sales, maintaining food and labor cost ratios and adapting our concepts are all critical to create sustainable profitability.

- Leveraging its multi-brand offering to expand further in Canada and abroad
  The Company intends to continue to open new locations of existing concepts in shopping malls, at street front locations and in non-traditional settings.

- Seeking international Master franchise opportunities
  The Company intends to develop at the international level through area master agreements.

- Seeking acquisitions
  The Company intends to continue to make acquisitions of franchise networks.

Government Regulation

Local Regulation of Restaurants

The Company's corporate owned and franchise locations are subject to licensing and regulation by a number of governmental authorities, which may include liquor, health, sanitation, environment, linguistic, safety, fire, building and other agencies in the provinces or municipalities in which the Company's locations are located. Developing new locations, in particular street front locations, requires licenses and land use approval, and could be delayed by difficulties in obtaining such licenses and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing. The Company, for its corporate owned locations and franchisees must comply with all applicable federal, provincial and local laws and regulations. Pursuant to the franchise agreements, the Company is to be indemnified by franchisees for any liabilities or costs incurred which are attributable to their failure to comply with such laws and regulations.

Food Product Regulation

The Company's suppliers of food products to the Company's corporate and franchise locations and the franchisees must comply with applicable federal and provincial regulations relating to the manufacture, handling, preparation and labeling of food products.

Franchise Regulation

The Company must comply with the laws and regulations adopted in the Provinces of Ontario, Alberta, Manitoba, New Brunswick and Prince Edward Island that require certain disclosure to be made with respect to the offer and sale of franchises. These laws require that the Company furnish prospective franchisees located in Ontario, Alberta, Manitoba, New Brunswick or Prince Edward Island, as applicable, with a disclosure document containing information prescribed by these laws.

The Company must also comply with the various Federal and state laws in the areas where it operates in the United States. These laws require that the Company provide prospective franchisees with a disclosure document containing information prescribed by the applicable regulations. Such disclosure documents must be approved on an annual basis by the relevant authorities prior to being used for disclosure.

Employment Regulations

The Company and its franchisees are subject to provincial labour and employment laws that govern their relationship with employees, such as minimum wage requirements, overtime and working conditions.

Regulations Governing Alcoholic Beverages

Alcoholic beverage control regulations require that the Company or a franchisee, as the case may be, apply to a provincial or a municipal authority for a license or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of a location's operations, including the minimum age of patrons who may consume alcoholic beverages and employees who may serve such beverages, hours of operation, advertising, wholesale purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages. Locations in certain jurisdictions may be subject to statutes or common law principles which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person.

Regulations Governing Smoking

Locations are subject to various laws that prohibit or limit smoking on the premises and that impose fines for failure to adhere to such laws.

Investment Parameters

The Company typically invests its cash flow surpluses in highly secured, liquid instruments. Investments normally are for periods of less than 12 months, and are made in guaranteed investment certificates of major financial institutions or in premium rate savings accounts held in reputable Canadian banks.

RISK FACTORS

An investment in the Company involves a number of risks. In addition to the other information contained in this Annual Information Form and the Company's other publicly filed disclosure documents, investors should give careful consideration to the following risk factors and uncertainties, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Any of the matters highlighted in these risk factors and uncertainties could have a material adverse effect on the Company's results of operations, business prospects or financial condition. The risk factors and uncertainties described below are not the only risks and uncertainties the Company faces. Additional risks and uncertainties not currently known to the Company, its directors and officers or that are currently deemed immaterial also may impair the Company's business operations.

The Restaurant Industry and its Competitive Nature

The performance of the Company is directly dependent upon a number of factors that affect the restaurant industry in general, including intense competition with respect to price, service, location and food quality. If the Company is unable to successfully compete in the restaurant industry, its performance may be adversely affected. The inability of the Company to maintain comparable store sales and the number of locations in its franchise system, and the Company's franchisees to pay franchise fees, royalty fees and other amounts to the Company, could have a material adverse effect on the Company's business, financial condition or results of operation.

Despite the fact that the Company has a large number of concepts, diversified in type of locations and geographically across Canada, the performance of the Company is also affected by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

Economic Environment

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In light of recent upheaval in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the quick service restaurant industry will be impacted by the current economic uncertainty in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company generates strong cash flows and has a robust balance sheet; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Sustainability and growth of the Business of the Company

The sustainability and the growth of the business of the Company are dependent upon its ability to:

(i) maintain its current franchise system which is subject to many factors including but not limited to the renewal of existing leases at sustainable rates with qualified franchisees,

(ii) continue to expand its current concepts by obtaining acceptable store sites and lease terms and obtaining suitable franchisees,

(iii) maintain and grow same store sales,

(iv) complete accretive acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the Company's system and culture could also have an impact on the Company's results, and

(v) retain qualified franchisees in its franchise system and personnel to manage Company owned locations. The Company faces competition for locations and managers from its competitors and from the franchisors of other businesses. The Company's inability to successfully obtain qualified franchisees and personnel could adversely affect its business development.

The quality of the individual Company's corporate-owned and franchise locations operations may be diminished by many factors beyond the Company's control. Consequently, the Company, management, personnel and franchisees may not successfully operate Company corporate owned locations and franchise locations in a manner consistent with the Company's standards and requirements, or may not retain qualified franchisees, hire and train qualified managers and operators. If they do not, the image and reputation of the Company corporate owned locations and franchise locations may suffer, and gross revenue and results of operations of the Company could decline.

Food Borne Illnesses

Publicity from any food borne illness could adversely affect the sales of one or more restaurants of one or more of our concepts and therefore revenues of the Company. Franchisees may be the subject of complaints or litigation from guests alleging food-related illness or other food quality or health concerns. Adverse publicity resulting from such allegations may materially affect the sales of restaurants, regardless of whether such allegations are true or whether a franchisee is ultimately held liable.

Intellectual Property

The ability of the Company to maintain or increase its operating results will depend on its ability to maintain "brand identity" through the use of intellectual property owned or licensed by the Company. If the Company fails to enforce or maintain any of its intellectual property rights, or the Company fails to enforce its rights under the franchise agreements with its franchisee, the Company may be unable to capitalize on its efforts to establish and maintain brand identity. Improper use of such trademarks and other intellectual property rights in Canada, and jurisdictions other than Canada, in a manner that diminishes the value of such trademarks and other intellectual property rights could affect the value of the intellectual property and the operating results of the Company could decline. Similarly, negative publicity or events associated with such trademarks and other intellectual property rights in Canada, and jurisdictions outside of Canada, may negatively affect the image and reputation of the Company, resulting in a decline in operating results of the Company. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trade-marks Act* (Canada), and other intellectual property can be the subject of similar challenges. If any intellectual property rights are ever successfully challenged, this may have an adverse impact on operating results of the Company and could also affect its international expansion capability.

Government Regulation

The Company is subject to various federal, provincial and local laws affecting its business. Each Company owned locations and franchise locations is subject to licensing and regulation by a number of governmental authorities, which may include alcoholic beverage control, smoking laws, environment, linguistic, health and safety and fire agencies. Difficulties in obtaining or failures to obtain the required licenses or approvals, or loss thereof, or compliance to changes in government laws and regulations concerning smoking bans, menu labeling and disclosure, drive-thru restrictions, elimination of trans fats or environmental matters could harm the Company in maintaining its franchise system and its ability to grow its number of locations and could have a material adverse affect on the Company's business, financial condition or results of operation.

Laws Concerning Employees

The operations of the Company owned locations and franchise locations are subject to employment and labour laws governing such matters as minimum wage, working conditions, and overtime and tip credits. A significant proportion of the Company's food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage will increase the Company's and franchisees labour costs and could have an impact on the Company's operating results.

Potential Litigation, Class Actions and Other Complaints

The Company may be the subject of complaints or claims from customers alleging food related illness, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity resulting from such allegations may materially affect the Company's operating results, regardless of whether such allegations are true or whether the Company is ultimately held liable.

The Company may be subject to claims from landlords in respect of lease agreements to which the Company acts as tenant, and it may also be subject to claims from current and former franchisees that are based on various grounds. Any such claims, if they are determined by a court or arbitrator to be well founded, may materially affect the Company's operating results.

The Impact of change in Sales Tax

The introduction of further sales taxes upon sales by restaurants, but not upon sales of food by grocery stores could negatively affect sales at the restaurant locations. An increase in the rate of existing sales tax could adversely affect disposable consumer income and consequently consumer visits to restaurants in general and sales of the locations in particular.

The Company's Dependence on Key Personnel

The success of the Company depends upon the personal efforts of a small group of employees and senior management. Although the Company believes it will be able to replace its key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on the Company's financial performance.

The Company’s Dependence on the Franchisors of TCBY®, Yogen Früz®, Taco Time® and Au Vieux Duluth® Concepts

Pursuant to the Master Agreements, the Company operates as a franchisee of the Franchisors and is highly dependent on the Franchisors for its operations. As a result of the nature of franchising and the Master Agreements with the Franchisors, the long-term success of the Company will depend, to a significant extent, on the continued vitality of the Au Vieux Duluth®, TCBY®, Yogen Früz® and Taco Time® concepts and the overall success of the Franchisors. Under the Master Agreements, the Company is required to comply with all of the standards and manuals issued by the Franchisors from time to time. The Company is also required to pay to the Franchisor a monthly royalty fee and a monthly advertising fee as applicable. Should the Company fail to comply with the terms of the Master Agreements, the Franchisors could terminate all or any of the Master Agreements. The termination of the Master Agreements would have a material adverse impact on the Company. The Franchise Agreements have staggered initial terms. Some Master Agreements have a renewal option, provided the Company remains in compliance with the terms of such agreement and other conditions are met. Notwithstanding compliance, there is no guarantee that the Master Agreements will be renewed for any further term following the initial term. Failure to renew some of the Master Agreements could result in loss of revenue and operating profit for the Company and would adversely impact the cash flows.

Leases and Lease Renewals

At November 30, 2015 the Company had 1,425 leases signed with various landlords representing rental obligations of $444 million of which $417 million is sublet to franchisees. The majority of leases are long term; the terms typically range from 5 to 10 years. Some leases provide for a right of renewal, provided that the lessee remains in compliance with the terms of the lease. Notwithstanding compliance, there is no guarantee that the Company will be able to renew such leases on favorable terms. The potential loss of prime locations upon lease expiry would have an effect on the financial performance, financial results and operating results of the Company. 512 of the locations leased by the Company are owned or managed by 16 landlords with whom the Company has 10 or more locations.

Price and Supply Fluctuation

Pricing support mechanisms instituted and maintained by various provincial marketing or other boards keep the prices of chicken and other products at artificially high levels. Although these products pricing systems are the subject of international and provincial legal challenges, there can be no assurance that such mechanisms will not continue indefinitely. Further, there can be no assurance that prices of such products will not be increased by their respective boards in the future.

Seasonality of the Business

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will not be a material factor in the quarterly variation of its results. System sales fluctuate seasonally, during January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sales for shopping malls locations are also higher than average in December during the Christmas shopping period. The Company may also experience quarterly variations in its operating results as its revenues may be subject to fluctuations resulting from a number of factors such as economic conditions, customer traffic in shopping malls, the effect of severe weather or natural disasters, the number of new locations opened or closures of existing franchise or corporate owned locations.

Maintain adequate levels of collection from Franchisees

Failure to achieve adequate levels of collection from the Company’s franchisees, suppliers, landlords and other customers, including by reason of disputes or litigation, could have a serious negative effect on the Company's results of operations and financial condition in particular. Our franchisees are independent operators and as such are subject to many factors which the Company cannot control. Should economic conditions worsen, some franchisees could become unable to pay royalties and rent.

Commodity Costs, Labour Shortages and Costs and Other Risks

Dependence on frequent deliveries of fresh produce and groceries subjects food service businesses to the risk that shortages or interruptions in supply, caused by adverse weather or other conditions could adversely affect the availability, quality and cost of ingredients. Specifically, certain ingredients such as chicken, coffee, sugar, flour, oil, rice and fish constitute a large percentage of the total cost of the Company's food products. Increases in the cost of these specific ingredients could significantly result in a decrease the Company's operating income. In addition, unfavorable trends or developments concerning factors such as inflation, increased food, labour and employee benefit costs (including increases in hourly wage and employment insurance rates), regional weather conditions, interest rates, currency exchange rate and the availability of experienced management and hourly employees may also adversely affect the food service industry in general and the Company's results of operations and financial condition in particular.

Ability to Locate and Secure Acceptable Location Sites

The success of the Company is significantly influenced by location sites. There can be no assurance that current locations will continue to be attractive, or additional locations can be located and secured, as demographic patterns change. It is possible that the current locations or economic conditions where restaurants are situated could decline in the future, resulting in potentially reduced sales in those locations. There is also no assurance that further sites will produce the same results as past sites.

Uninsured and Underinsured Losses

The Company uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to compensate the entire loss.

International Locations

Our increased exposure to foreign operations subject us to multiple risks that are inherent to the territories in which the restaurants operate. Political and social instability, governmental regulations, foreign exchange rates, uncertainties regarding the interpretation or applicable of certain laws, ethical standards and potential adverse income and sales tax changes might affect the Company adversely.

Currency Exchange Rates

The Company maintains all material accounts in Canadian dollars and is subject to fluctuations in currency exchange rates with respect to its foreign operations.

Currency exchange rates also affect the Company's franchisees' ability to secure certain food products at favorable rates, in turn impacting the profitability of their operations.

Interest Rates

The Company currently has a $40 million authorized revolving credit facility, of which $6.3 million was drawn as at November 30, 2015. In the course of business, the Company could be required to use more of the available amount and/or to increase the authorized amount. Fluctuations in interest rates could potentially impact the Company's profitability materially.

Information Technology

MTY relies heavily on computer systems and network infrastructures across our operations, including point of sales systems, payment processing and financial reporting. Although significant efforts are put in place to protect these systems, they remain vulnerable to damage, viruses, security breaches and other harmful incidents. The occurrence of any such problem could potentially impact our business and our franchisees adversely.

Corporate Governance

We are not in compliance with certain governance best practices set forth in National Policy 58-201 – Corporate Governance Guidelines (referred to herein as “NP 58-201”) and National Instrument 58-101 – Disclosure of Corporate Governance Practices (referred to herein as “NI 58-101”) with respect to standards of director independence. Accordingly, our shareholders will not have the same protections afforded to shareholders of companies that are in compliance with the corporate governance best practices established by the Canadian Securities Administrators.

Dividends

The Company has established a dividend policy during 2010; it has paid a first quarterly dividend in November of 2010 (see “Dividend Policy” below for further particulars), and subsequently increased the amount of the quarterly dividend in January 2012, January 2013, January 2014, January 2015 and January 2016. The directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time. There can be no assurance at this time that any further dividends will be declared and paid. To the knowledge of the Company, there are no restrictions that would prevent the Company from paying dividends.

DIVIDEND POLICY

The board of directors of MTY (the “Board”) established a dividend policy during the course of 2010, and has updated the policy in January 2016. Pursuant to the policy, the Company intends to pay a quarterly dividend of 11.5¢ per share (increased from 10.0¢ per share in 2015), if and when declared by the Board, after consideration of the present level of cumulative cash flow and the ongoing working capital needs of the Company, and after taking into consideration the future financing needs of the Company for new corporate acquisitions. The Board intends to review this policy when deemed necessary to assess its adequacy. The dividend policy is designed to allow sufficient flexibility to continue investing in the Company’s growth while providing returns to its shareholders.

On January 21, 2016, the Company announced an increase of 15% of its quarterly dividend payment from 10.0¢ per share to 11.5¢ per share. The 11.5¢ dividend was paid on February 12, 2016 to shareholders registered in the Company's records at the end of the business day on February 1, 2016.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without par value. Each common share ranks equally with all common shares with respect to dissolution, liquidation or winding up of the Company and payment of dividends. The holders of common shares are entitled to one vote for each share on all matters to be voted on by the shareholders.

The common shares are not redeemable, have no conversion rights and carry no pre-emptive or other rights to subscribe for additional shares. The outstanding common shares are fully paid and non-assessable. As at the date of this Annual Information Form, there are 19,120,567 common shares issued and outstanding.

CREDIT FACILITIES

The Company has an authorized operating line of credit of $30,000,000, for general corporate requirements. The interest rate charged on the facility varies between the bank's CDN$ prime rate and the bank's CDN$ prime rate plus 0.50%, depending on certain ratios. One of the Company's subsidiaries has a facility of $10,000,000 under the same terms and conditions; this facility is guaranteed by the Company.

Under the terms of the line of credit, the Company must satisfy a funded debt to EBITDA ratio of 2.00 to 1 and a minimum interest coverage ratio of 4.50 to 1. The company is in compliance with all these ratios. The operating line of credit is payable on demand, renewable annually and is secured by a moveable hypothec on most of the assets of the Company and of some of its subsidiaries.

MARKET FOR SECURITIES – TRADING PRICE AND VOLUME

Trading Price and Volume

The common shares of the Company are traded on the TSX since May 13, 2010 under the symbol "MTY". Before that date, they were traded on the TSX Venture Exchange under the same trading symbol.

The table below provides details on the monthly price ranges and total monthly volume for the most recent completed financial year:

Date	High $	Low $	Volume
Dec-14	35.49	33.50	267,361
Jan-15	34.92	31.53	269,133
Feb-15	36.87	33.42	247,970
Mar-15	36.99	33.01	291,716
Apr-15	35.28	33.03	317,966
May-15	33.85	32.10	324,697
Jun-15	33.89	32.31	283,984
Jul-15	37.35	33.39	509,369
Aug-15	37.35	30.06	389,210
Sep-15	33.47	30.02	390,289
Oct-15	33.40	30.32	436,265
Nov-15	32.00	29.55	425,678

DIRECTORS AND OFFICERS

Name and Occupation

The following table sets forth the name, the province and country of residence, and the position with the Company for each of the directors and executive officers of the Company, at the date of production of the AIF.

Name, Province and Country of Residence	Position with the Company	Director or executive officer since
Murat Armutlu (1) QC, Canada	Director	May 6, 2005
Stanley Ma QC, Canada	Chairman, Chief Executive Officer and Director	From Dec. 2, 1993 to June 30, 1996; and since May 30, 1997

Name, Province and Country of Residence	Position with the Company	Director or executive officer since
David Keith Wong[(1)] BC, Canada	Director	Since February 9, 2011
Claude St-Pierre QC, Canada	Chief Operating Officer[(2)], Secretary and Director	From May 6, 1994 to August 7, 1995; and since October 9, 1996
Dickie Orr[(1)], BC, Canada	Director	Since May 2, 2011
Eric Lefebvre, QC, Canada	Chief Financial Officer[(3)]	Since November 23, 2009

(1) Denotes a member of the Audit Committee.

(2) On June 4, 2012, Mrs. St-Pierre was named Chief Operating Officer. Prior to June 4, 2012, Mrs. St-Pierre had been Chief Financial Officer.

(3) On June 4, 2012, Mr. Lefebvre was named Chief Financial Officer. Prior to June 4, 2012, Mr. Lefebvre had been Vice-President, finance.

The Company has an Audit Committee, the members of which are set out above.

Independence of the directors

Stanley Ma and Claude St-Pierre are not independent as they have a material relationship with the Company, by virtue of their respective executive officer position with the Company.

All three other directors, Dickie Orr, David K. Wong and Murat Armutlu, are independent, making up the majority of the Board. The independent directors hold separate meetings at which management is not in attendance, immediately following full Board meetings. The Board facilitates open and candid discussion among its independent directors by also encouraging such members to have discussions amongst themselves whenever appropriate.

The Audit Committee is chaired by Murat Armutlu, who in this role provides leadership among the independent directors.

Nomination, orientation and continuing education

The Board does not have a nominating committee, and these functions are currently performed by the Board as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed. In the recent past, and because of the limited size of the Board, it was required that new members would be part of the Audit Committee. As such, financial literacy was a key strength that was sought after. With that in mind, the selection process is oriented towards finding candidates that would bring diversified knowledge and experience in areas in which the Company is active, for example, mergers and acquisitions.

The Chairman of the Board orients new members through a detailed briefing and sharing of Company specific information. Directors are then briefed regularly by the CEO and/or COO on strategic issues affecting the Company.

Each director of the Company is elected annually and holds office until the next Annual General Meeting of the shareholders unless that person ceases to be a director before then.

Due to the minimal size of the Board, no formal effectiveness or contribution assessment process is conducted on the Board's individual directors or Audit Committee. On an informal basis, the Chairman is responsible for reporting to the Board on areas where improvements should be made. When needed, time is set aside for the Chairman to meet with directors individually.

Security Holdings of the Directors and Officers

To the best of the Company's knowledge, as of the date of this Annual Information Form, the Directors and Officers of the Company beneficially own, or controlled or directed, directly or indirectly, an aggregate of 5,632,926 common shares of the Company, representing 29.5% of the issued and outstanding common shares of the Company.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

<u>Corporate Cease Trade Orders</u>

To the knowledge of the Company, no director or executive officer of the Company is, at the date hereof, or was within the ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company that:

(i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, at the date of this Annual Information Form, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, has entered into a settlement agreement with a securities authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company, there are no existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company.

PROMOTER

Stanley Ma is considered to be a promoter of the Company. Mr. Ma beneficially owns, or exercises control or direction over, directly or indirectly**,** 4,885,643 common shares of the Company, representing approximately 25.55% of the issued and outstanding common shares of the Company. For the year ended November 30, 2015, Mr. Ma received a salary of $378,462 and had car benefits of $27,260.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

The Company is not aware of any penalties or sanctions imposed against the Company or the Company's subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the Company's financial year ended November 30, 2015, or any other penalties or sanctions imposed by a court or regulatory body against the Company or Company's subsidiaries that would likely be considered important to a reasonable investor in making an investment decision, and the Company and Company's subsidiaries have not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the Company's financial year ended November 30, 2015.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the common shares of the Company is:

Computershare Investor Services Inc.
100 University Ave, 9th Floor
Toronto, ON M5J 2Y1

MATERIAL CONTRACTS

The following are the contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and were entered into within the most recently completed financial year, or before the most recently completed financial year but which are still in effect:

1. Master Franchise Agreement (formerly named Canada Area Franchise Agreement) dated March 13, 1978, as amended from time to time, for the territory of Canada between Kahala Franchise Corp. (formerly Taco Time International Inc.) and Taco Time Canada Inc. (formerly Taco Food (Canada) Inc.) as assigned to MTY Tiki Ming Enterprises Inc. on October 31, 2008 for an unlimited term pursuant to certain conditions.

2. Master Franchise Agreement dated March 30, 2006 between Yogen Früz Canada Inc. and MTY Tiki Ming Enterprises Inc. and Canadian Master Franchise Rights Agreement dated January 31, 2006 between Yogen Früz Canada Inc., MTY Tiki Ming Enterprises Inc. and MTY Food Group Inc. for the exclusive territory of Canada for a term of 20 years, from April 1, 2006 to March 31, 2026 plus a 10 years option to renew pursuant to certain conditions.

3. TCBY Transnational Master Franchise Agreement dated February 20, 1992, as amended and assigned from time to time, between TCBY Systems, LLC (formerly TCBY Systems, Inc and Tremlac Food Canada Limited/Les Aliments Tremlac Canada limitée (as assigned by Daniel Tremblay and Paul Lachance, and later Donald Foley) and as assigned to MTY Tiki Ming Enterprises Inc. on September 28, 2005 for the territory of Canada expiring on December 31, 2025.

4. Au Vieux Duluth Express Area Development Agreement dated May 2, 2002 for the provinces of Quebec and Ontario between Restaurants Au Vieux Duluth Inc. and MTY Tiki Ming Enterprises Inc. The agreement is for a term of 10 years, from May 2, 2002 to May 1, 2012 and includes a 10 years option to renew, at MTY Tiki Ming Enterprises Inc.'s option, which is subject to certain conditions. After May 1, 2012, parties have conducted business as per the agreement, although the agreement has not been formally renewed.

5. Stock Option Plan dated May 30, 2000.

6. Credit facility agreement dated October 18, 2012, subsequently amended on August 21, 2013 and June 5, 2014 between MTY Food Group Inc. and Bank of Montreal for an authorized operating line of credit of $30,000,000 secured by a moveable hypothec on most of the assets of the Company, as well as a $10,000,000 line of credit secured by a movable hypothec on the assets of 8825726 Canada Inc. and guaranteed by the Company.

INTEREST OF EXPERTS

Deloitte LLP is the external auditor of the Company and has prepared the Independent Auditor's Report dated February 15, 2016, with respect to the audited consolidated financial statements of the Company for the year ended November 30, 2015. As of February 15, 2016, Deloitte LLP was independent from the Company within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

1. Purpose of the Committee

1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Corporation's financial statements and other relevant public disclosures, the Corporation's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

2. Members of the Audit Committee

2.1 A majority of the Members must be "financially literate" as defined under MI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors.

2.3 A majority of the Members of the Audit Committee must be "independent" as defined under MI 52-110, while the Corporation is in the developmental stage of its business.

3. Relationship with External Auditors

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

4. Non-Audit Services

4.1 The external auditors are prohibited from providing any non-audit services to the Corporation, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Corporation, the Audit Committee must consider that the benefits to the Corporation from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Corporation:

(i) acting as an agent of the Corporation for the sale of all or substantially all of the undertaking of the Corporation; and

(ii) performing any non-audit consulting work for any director or senior officer of the Corporation in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Corporation.

5. Appointment of Auditors

5.1 The external auditors will be appointed each year by the shareholders of the Corporation at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6. Evaluation of Auditors

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7. Remuneration of the Auditors

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

8. Termination of the Auditors

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

9. Funding of Auditing and Consulting Services

9.1 Auditing expenses will be funded by the Corporation. The auditors must not perform any other consulting services for the Corporation, which could impair or interfere with their role as the independent auditors of the Corporation.

10. Role and Responsibilities of the Internal Auditor

10.1 At this time, due to the Corporation's size and limited financial resources, the Secretary of the Corporation shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

11. Oversight of Internal Controls

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12. Continuous Disclosure Requirements

12.1 At this time, due to the Corporation's size and limited financial resources, the Secretary of the Corporation is responsible for ensuring that the Corporation's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13. Other Auditing Matters

13.1 The Audit Committee may meet with the Auditors independently of the management of the Corporation at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Corporation.

14. Annual Review

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

15. Independent Advisers

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.

Composition of the Audit Committee

The following directors are the members of the Audit Committee:

Murat Armutlu	Independent[1]	Financially literate[2]
David K. Wong	Independent[1]	Financially literate[2]
Dickie Orr	Independent[1]	Financially literate[2]

[1] A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

[2] An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

The relevant education and/or experience of each member of the Audit Committee is as follows:

David K. Wong: Mr. Wong has 20 years of experience in public and private equity investments in both domestic and international markets. He is currently Managing Director of DK Wong & Associates Inc., an advisory service which specializes in assisting entrepreneurs in seeking investment capital, mergers and acquisition candidates and corporate restructuring. Mr. Wong's past experiences also include serving as Manager, Technology Research at Avenir Capital Corp., Technology Analyst at Canaccord Capital Corp. and Research Analyst for C.M. Oliver & Co. Ltd. Mr. Wong received a Bachelor of Arts, Major in Economics from Simon Fraser University and is a member of CFA Institute, CFA Vancouver and ACG Vancouver Chapter.

Dickie Orr: Mr. Dickie Orr has 27 years of experience as an investment advisor, involved in public and private equity investments in both domestic and international markets.

Murat Armutlu, CPA, CA: Mr. Armutlu is a Chartered Professional Accountant and formerly served as Chief Financial Officer of the Corporation from December 2000 to April 2003. Mr. Armutlu has a Bachelor of Commerce (Accounting) degree. He earned his Chartered Accountant designation in 1986, and he also earned a Certified Public Accountant designation in 1997. Since 1990, he has served as auditor, accountant, and business advisor for his clients.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Corporation's external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Corporation. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if thought fit, approval in writing.

External Auditor Service Fees

The fees billed by the Corporation's external auditors in each of the last two fiscal years for audit and non-audit related services provided to the Corporation or its subsidiaries (if any) are as follows:

Financial Year Ending November 30	Audit Fees	Audit Related Fees	Tax Fees	All other Fees
2015	$503,500	$43,170	$128,926	-
2014	$408,500	$5,000	$25,400	-

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed financial year.