Management's Discussion and Analysis
For the six months ended May 31, 2016

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY") is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2015.

In the MD&A, 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.

The condensed interim consolidated financial statements contained in this report have not been reviewed by MTY's external auditors.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (IFRS) and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2015.

This MD&A was prepared as at July 7, 2016. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR's website at www.sedar.com.

Forward looking statements and use of estimates

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled Outlook, Same-Store Sales, Contingent Liabilities and Subsequent Event, contain 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 during the course of 2016. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected 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, forward-looking statements in this MD&A describe the Company's expectations at July 7, 2016 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does 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 the expectations expressed in or implied by such forward-looking statements and that the business outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A 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 the 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 MD&A are based on a number of assumptions that are believed to be reasonable on July 7, 2016. Refer, in particular, to the section of this MD&A entitled Risks and Uncertainties for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

In preparing the condensed interim consolidated financial statements in accordance with IFRS and the MD&A, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, sales and expenses reported and on contingent liabilities and contingent assets information provided.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

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 MD&A include, but are not limited to: the intensity of competitive activity, and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts, the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of 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, the products; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; volatility in foreign exchange rates; foodborne illness; 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 the expectations expressed in or implied by these forward-looking statements are discussed in this MD&A.

Readers are cautioned that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also have a material adverse effect on the business, financial condition or results of operations.

Except as otherwise indicated by the Company, 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 July 7, 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. The Company therefore cannot describe

the expected impact in a meaningful way or in the same way that present known risks affecting our business.

Compliance with International Financial Reporting Standards

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”). MTY uses 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.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believes 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 the industry. Similarly, same-store sales growth provides additional information to investors about the performance of the network that is not available under GAAP. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the fiscal year

On May 25, 2016, the Company announced that it entered into an agreement to acquire the shares of Kahala Brands Ltd. for an estimated purchase price of US$300 million, satisfied by the issuance of 2,253,930 shares of MTY and the payment of US$240 million cash. Kahala currently franchises and operates approximately 2,800 stores worldwide, under 18 brands in 25 countries and generates approximately $950 million in annual system sales. The closing of the transaction is expected to happen within 75 days after the announcement.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, “TCBY”, Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O’Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle and SenseAsian, Tosto and Big Smoke Burger.

As at May 31, 2016, MTY had 2,688 locations in operation, of which 2,649 were franchised or under operator agreements and the remaining 39 locations were operated by MTY.

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, in other venues or retailers shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require a lower investment and generate lower revenues than the locations found in shopping malls, food courts or street front locations. The street front locations are mostly made up of the Country Style, La Crémière, “TCBY”, Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaïZone, Extreme Pita,

Mucho Burrito and Madisons banners. La Crémière and “TCBY” operate primarily from April to September and the others banners operate year round.

MTY has developed several quick service restaurant concepts: Tiki-Ming (Chinese cuisine), was its first banner, followed by Sukiyaki (a Japanese delight), Franx Supreme (hot dog/hamburger), Panini Pizza Pasta, Chick’n’Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori, O’Burger and Tosto.

Other banners added through acquisitions include:

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli’s	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Yogen Früz™ exclusive master franchise rights in Canada	April 2006	100%	152	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the United States	5
ThaïZone	September 2013	80%	25 and 3 mobile restaurants	—
Madisons	July 2014	90%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015	60%	13	4

MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects, rent, sign rental, supplier contributions and sales of other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turn key projects, rent, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs incurred to operate corporate owned locations.

MTY generates revenues from the food processing business discussed herein. The plant produces various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plant generates most of its revenues selling its products to distributors and retailers.

The Company also generates revenues from its distribution center located on the south shore of Montreal. The distribution center mainly serves the Valentine and Franx Supreme franchisees with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisitions

On September 18, 2015, the Company acquired 60% of the assets of Big Smoke Burger for a total consideration of $3 million. As at closing, there were 17 outlets in operations, 4 of which corporately-owned locations. Of the 17 stores, 8 are located in the United States or overseas.

On March 23, 2015, the Company acquired the interest of the non-controlling shareholders of one of its subsidiaries (9286-5591 Quebec Inc., doing business as ThaïZone) for $0.8 million. Following this transaction, the Company has a 100% ownership of this subsidiary.

On December 18, 2014, the Company announced that it had completed the acquisition of 100% of the assets of Manchu Wok, Wasabi Grill & Noodle and SenseAsian for a total consideration of $7.9 million. At the date of closing, there were 132 outlets in operations, including 17 corporately-owned restaurants. 51 of the restaurants are located in the United States.

Summary of quarterly financial information

in thousands of $	Quarters ended							
	August 2014	November 2014	February 2015	May 2015	August 2015	November 2015	February 2016	May 2016
Revenue	$30,234	$29,939	$32,364	$38,355	$35,003	$39,481	$35,320	$35,362
EBITDA (restated[1])	$10,499	$11,269	$10,423	$13,444	$13,340	$13,475	$12,106	$12,820
Net income attributable to owners (restated[1])	$7,102	$5,299	$6,219	$8,501	$8,176	$3,119	$7,927	$8,335
Total comprehensive income attributable to owners (restated[1])	$7,088	$5,299	$5,878	$8,548	$8,336	$3,156	$8,414	$8,266
Per share	$0.37	$0.28	$0.33	$0.44	$0.43	$0.16	$0.41	$0.44
Per diluted share	$0.37	$0.28	$0.33	$0.44	$0.43	$0.16	$0.41	$0.44

[1] In May 2015, the Company deemed the future sale of 7657567 Canada Inc. no longer probable in the near future and as such, reclassified the investment from a subsidiary held-for-sale to a consolidated subsidiary. Prior period amounts on the condensed interim consolidated statements of income and of comprehensive income, and the statements of financial position have been restated for the change in classification.

Results of operations for the six-month period ended May 31, 2016

Revenue

During the first six months of the 2016 fiscal year, the Company's total revenue remained stable with prior year revenue at $70.7 million. Revenues for the four segments of business are broken down as follows:

	May 31, 2016 ($ million)	May 31, 2015 ($ million)	Variation
Franchise operation	50.6	48.7	4%
Corporate stores	11.6	15.9	(27%)
Distribution	3.1	2.9	7%
Food processing	6.4	4.0	58%
Intercompany transactions	(1.0)	(0.8)	N/A
Total operating revenues	70.7	70.7	0%

As is shown in the table above, revenue from franchise locations progressed by 4%. Several factors contributed to the variation, as listed below:

	$ million
Revenues, first six months of 2015	48.7
Increase in recurring revenue streams	0.8
Increase in initial franchise fees, renewal fees and transfer fees	0.6
Increase in turn key, sales of material to franchisees and rent revenues	0.4
Other non-material variations	0.1
Revenues, first six months of 2016	50.6

During the six-month period, the Company benefitted from the impact of the acquisitions realised late in December 2014 and in the second half of 2015, which accounted for a significant portion of the increase in recurring streams of revenues. Other contributing factors to the increase in franchising revenues include the sales of Madisons new retail line of products and an increase in renewal fees.

Revenue from corporate owned locations decreased by 27%, to $11.6 million during the six-month period. The decrease is mainly due to the sale of some corporate stores during the second half of 2015 and the first half of 2016. At the end of the quarter, the company had 39 corporate stores, compared to 49 a year earlier.

Distribution revenues increased by 7% year-to-date mainly due to an increase in the system sales of the concepts it supports during the period. System sales for the concepts it supports increased by 8% year-over-year.

Food processing revenues increased by 58% during the first half of 2016, mainly due to the addition of new contracts during the second half of the 2015 fiscal year.

Cost of sales and other operating expenses

During the first half of 2016, operating expenses decreased by 2% to $45.8 million, down from $46.9 million a year ago. Operating expenses for the four business segments were incurred as follows:

	May 31, 2016 ($ million)	May 31, 2015 ($ million)	Variation
Franchise operation	25.7	25.6	1%
Corporate stores	12.4	15.4	(20%)
Distribution	2.8	2.6	9%
Food processing	5.9	4.1	45%
Intercompany transactions	(1.0)	(0.8)	N/A
Total operating expenses	45.8	46.9	(2%)

Expenses from franchise operations increased by $0.1 million during the first six months of 2016 compared to the same period last year. The increase is mostly attributable to direct and indirect costs of the workforce required to operate the new concepts acquired late in 2014 and in 2015 and the legal and consulting fees associated with the purchase of Kahala Brands Ltd. This was offset by the decline in provisions for lease support costs.

Expenses from the other segments fluctuated mostly as a function of factors explained in the Revenue section above.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Six months ended May 31, 2016					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	50.59	11.67	3.07	6.39	(1.03)	70.68
Expenses	25.69	12.38	2.81	5.91	(1.03)	45.76
EBITDA[1]	24.90	(0.71)	0.26	0.48	—	24.93
EBITDA as a % of Revenue	49%	N/A	8%	8%	N/A	35%

(In millions $)	Six months ended May 31, 2015 Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	48.67	15.94	2.86	4.04	(0.78)	70.72
Expenses	25.55	15.43	2.58	4.07	(0.78)	46.85
EBITDA[1]	23.12	0.51	0.28	(0.03)	—	23.87
EBITDA as a % of Revenue	48%	3%	10%	N/A	N/A	34%

[1]EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 9.

Total EBITDA for the six-month period ended May 31, 2016 was $24.9 million, an increase of 4% compared to the same period last year.

During the period, the franchising operations generated $24.9 million in EBITDA, an 8% increase over the results of the same period last year. The increase is mainly attributable to the operations of the newly acquired concepts as well as to a decrease in lease support costs.

EBITDA generated by corporate stores has decreased by $1.2 million compared to the first 6 months of 2015, mainly because of the sale of multiple profitable stores in the last 12 months.

The food processing segment generated $0.5 million in EBITDA during the first 6 months of this year, while it had produced a small loss during the same period last year. The improvement is mainly attributable to the cancellation of some unprofitable contracts during 2015, which were replaced by profitable ones since.

EBITDA as a % of revenues increased slightly for the six-month period mainly due to the increase in recurring revenue streams in the franchising operations.

Net income

For the six-month period ended May, 2016, net income attributable to owners increased by 10%, to $16.3 million or $0.85 per share ($0.85 per diluted share) compared to $14.7 million or $0.77 per share ($0.77 per diluted share) for the same period last year. The increase is due to the growth in EBITDA mentioned above and a higher gain on disposal of property, plant and equipment stemming from the sale of a few profitable corporately owned locations.

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(in thousands of dollars)	**Period ended May 31, 2016**	**Period ended May 31, 2015**
Income before taxes	22,533	20,334
Depreciation – property, plant and equipment	729	773
Amortization – intangible assets	3,235	3,395
Interest on long-term debt	103	233
Foreign exchange loss (gains)	42	(158)
Interest income	(131)	(42)
Impairment of goodwill		200
Gain on disposal of property, plant and equipment and intangibles	(1,585)	(868)
EBITDA	**24,926**	**23,867**

Other income and charges

The gain on disposal of property, plant and equipment and intangible assets increased by $0.7 million in 2016 compared to the same period last year. The increase is mainly because of the disposal of some profitable corporate stores during the period.

Income taxes

The provision for income taxes as a percentage of income before taxes decreased slightly compared to the same period last year. The slightly higher combined statutory rate results from an increase of the proportion of business done in the USA and by the increase in the Alberta tax rate in July 2015.

Results of operations for the second quarter ended May 31, 2016

Revenue

During the second quarter of the 2016 fiscal year, the Company's total revenue decreased by 8% to $35.4 million down from $38.4 million a year ago. Revenues for the four segments of business are broken down as follows:

	May 31, 2016 ($ million)	May 31, 2015 ($ million)	Variation
Franchise operation	26.1	26.4	(1%)
Corporate stores	4.8	8.6	(44%)
Distribution	1.6	1.5	6%
Food processing	3.4	2.2	55%
Intercompany transactions	(0.5)	(0.4)	N/A
Total operating revenues	35.4	38.4	(8%)

As is shown in the table above, revenue from franchise locations declined by 1%. Several factors contributed to the variation, as listed below:

	$ million
Revenues, second quarter of 2015	26.4
Decrease in recurring revenue streams	(0.3)
Increase in initial franchise fees, renewal fees and transfer fees	0.4
Decrease in turn key, sales of material to franchisees and rent revenues	(0.6)
Other non-material variations	0.2
Revenues, second quarter of 2016	26.1

During the quarter ended May 31, 2015, the Company recorded a one-time adjustment related to recurring streams of revenues. This adjustment resulted in higher revenues in 2015 that will repeat in 2016 but will be spread over the entire 12-month period. The company also had declines in turn key and rent revenue in 2016. This decline was partially offset by the sales of Madisons new retail line of products and an increase in renewal fees.

Revenue from corporate owned locations decreased by 44%, to $4.8 million during the quarter. The decrease is mainly due to the sale of some corporate stores during the second half of 2015 and the first half of 2016. At the end of the quarter, the company had 39 corporate stores, compared to 49 a year earlier.

Distribution revenues increased by 6% for the quarter mainly due to an increase in the system sales of the concepts it supports during the period. System sales for the concepts it supports increased by 8% year-over-year.

Food processing revenues increased by 55% during the three-month period, mainly due to the addition of new contracts during the second half of the 2015 fiscal year.

Cost of sales and other operating expenses

During the second quarter of 2016, operating expenses decreased by 10% to $22.6 million, down from $24.9 million a year ago. Operating expenses for the four business segments were incurred as follows:

	May 31, 2016 ($ million)	May 31, 2015 ($ million)	Variation
Franchise operation	13.1	13.6	(3%)
Corporate stores	5.4	8.2	(34%)
Distribution	1.4	1.3	7%
Food processing	3.1	2.2	43%
Intercompany transactions	(0.5)	(0.4)	N/A
Total operating expenses	22.5	24.9	(10%)

Expenses from franchise operations decreased by $0.5 million during the second quarter of 2016 compared to the same period last year. The decrease is mostly attributable to the decline in turn key costs. This was offset by an increase to direct and indirect costs of the workforce required to operate the new concepts acquired in 2015 and by the legal and consulting fees associated with the purchase of Kahala Brands Ltd.

Expenses from the other segments fluctuated mostly as a function of factors explained in the Revenue section above.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Three months ended May 31, 2016					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	26.08	4.85	1.59	3.35	(0.51)	35.36
Expenses	13.12	5.39	1.44	3.10	(0.51)	22.54
EBITDA[(1)]	12.96	(0.54)	0.15	0.25	—	12.82
EBITDA as a % of Revenue	50%	N/A	9%	7%	N/A	36%

	Three months ended May 31, 2015					
(In millions $)	Franchise	Corporate	Distribution	Processing	Intercompany transactions	Total
Revenues	26.42	8.63	1.51	2.16	(0.36)	38.35
Expenses	13.57	8.19	1.35	2.17	(0.36)	24.91
EBITDA[(1)]	12.85	0.44	0.16	(0.01)	—	13.44
EBITDA as a % of Revenue	49%	5%	10%	N/A	N/A	35%

[(1)]EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. *See reconciliation of EBITDA to Income before taxes on page 12.*

Total EBITDA for the three month period ended May 31, 2016 was $12.8 million, a decrease of 5% compared to the same period last year.

During the period, the franchising operations generated $13.0 million in EBITDA, a 1% increase over the results of the same period last year. The increase is mainly attributable to the increase in renewal fees. This was partially offset by higher lease support costs and by the legal and consulting fees relating to the acquisition of Kahala Brands Ltd.

EBITDA as a % of revenues increased slightly for the three month period mainly due to the increase in recurring revenue streams in the franchising operations.

Net income

For the three month period ended May, 2016, net income attributable to owners decreased by 2%, to $8.3 million or $0.44 per share ($0.44 per diluted share) compared to $8.5 million or $0.44 per share ($0.44 per diluted share) for the same period last year. The decrease is mainly due to the decline in EBITDA mentioned above.

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(in thousands of dollars)	**Period ended May 31, 2016**	**Period ended May 31, 2015**
Income before taxes	11,479	11,669
Depreciation – property, plant and equipment	365	406
Amortization – intangible assets	1,606	1,716
Interest on long-term debt	42	144
Foreign exchange losses	57	34
Interest income	(79)	(22)
Impairment of goodwill	—	200
Gain on disposal of property, plant and equipment and intangibles	(650)	(703)
EBITDA	**12,820**	**13,444**

Income taxes

The provision for income taxes as a percentage of income before taxes decreased slightly compared to the same period last year, mainly owing to the utilization of some tax losses for which no deferred tax asset had been recognized. The slightly higher combined statutory rate results from an increase of the proportion of business done in the USA and by the increase in the Alberta tax rate in July 2015.

Contractual obligations and long-term debt

The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending *(In thousands $)*	Long term debt[1]	Net lease commitments	Total contractual obligations
12 months ending May 2017	5,860	5,150	11,010
12 months ending May 2018	258	4,523	4,781
12 months ending May 2019	558	3,565	4,123
12 months ending May 2020	70	2,909	2,979
12 months ending May 2021	8	2,235	2,243
Balance of commitments	31	6,485	6,516
	6,785	**24,867**	**31,652**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the May 31, 2016 condensed interim consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions, non-interest bearing contract cancellation fees, as well as a balance of sale related to the acquisition of Madisons.

At the end of the quarter, the Company had drawn $6.0 million from its credit facilities. The credit facilities are subject to covenants of funded debt to EBITDA ratio of 2 to 1 and a minimum interest coverage ratio of 4.5 to 1. At May 31, 2016, the Company was in compliance with the facilities' covenants. The facilities, when used, bears interest at the bank's annual prime rate plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio.

Liquidity and capital resources

As of May 31, 2016, the amount held in cash and cash equivalents net of the line of credit totalled $43.6 million, an increase of $16.5 million since the end of the 2015 fiscal period.

During the first half of 2016, the Company paid $4.4 million in dividends to its shareholders. This had no significant impact on the cash position of the Company as a result of strong cash flows generated by operations.

Cash flows generated by operating activities were $21.1 million during the first half of 2016, compared to $19.4 million for the same period in 2015. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated $26.4 million in cash flows, compared to $26.5 million in 2015, which represents a decrease of 1% compared to the same period last year.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of $40.0 million, of which $34 million was available as at May 31, 2016.

As a result of the anticipated acquisition of Kahala, the Company has been in discussions with lenders to replace the existing facility should the transaction close. The proposed facilities would include a term loan and a revolver totaling $325 million.

Financial position

Accounts receivable at the end of the period were at $17.4 million, compared to $18.7 million at the end of the 2015 fiscal period. The 7% decrease is mainly due to timing collections.

Property, plant and equipment and intangible assets both decreased slightly during the first half of 2016 as a normal depreciation and amortization.

Accounts payable increased to $24.9 million as at May 31, 2016, from $24.4 million as at November 30, 2015. The increase is mainly due to timing of payments.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, decreased slightly to $3.0 million as at May 31, 2016 from $3.5 million as at November 30, 2015. The company saw a decrease for closed stores and litigations provision that resulted from some settlements being reached during the first half of the year.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. The balance as at May 31, 2016 was $7.0 million, a increase of $1.3 million since November 30, 2015. The increase stems from new supplier contributions received during the second quarter of 2016. These amounts will be recognized into revenues as they are earned.

Long-term debt is composed of non-interest bearing holdbacks on acquisitions and non-interest bearing contract cancellation fees. During the period, the Company made repayments of $1.3 million.

Further details on the above statement of financial position items can be found in the notes to the May 31, 2016 condensed interim consolidated financial statements.

Capital stock

No shares were issued during the quarter ended May 31, 2016. As at July 7, 2016 there were 19,120,567 common shares of MTY outstanding.

Following the May 31, 2016, the company committed to issue 2,253,930 shares from treasury to the sellers of Kahala at the closing of the transaction, which is expected to happen before August 8, 2016.

Location information

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, in other venues or retailer shared sites, hospitals, universities and airports. 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.

	Number of locations for the six-month period ended	
	May 31, 2016	May 31, 2015
Franchises, beginning of year	**2,695**	2,691
Corporate owned, beginning of year	**43**	36
Opened during the period		
Mall	**28**	27
Street	**21**	21
Non-traditional	**30**	11
Closed during the period		
Mall	**(50)**	(32)
Street	**(56)**	(60)
Non-traditional	**(23)**	(34)
Acquired during the period	—	132
Total end of period	**2,688**	2,792
Franchises, end of period	**2,649**	2,743
Corporate owned, end of period	**39**	49
Total end of period	**2,688**	2,792

During the first six months of 2016, the Company's network added 79 new stores, compared to 59 a year earlier. During the second quarter, the additions totalled 33 stores while it had opened 32 in the second quarter of 2015.

Store closures during the first half of this year total 129 outlets compared to 126 a year earlier. During the last three months, 69 outlets were closed, compared to 77 for the same period last year.

The average monthly sales for the stores closed during the first half of 2016 were approximately $17,700 ($20,400 excluding non-traditional stores), while the average monthly sales of stores opened during the same period were approximately $28,200 ($36,300 excluding non-traditional stores).

At the end of the period, the Company had 39 corporate stores, a net reduction of 4 compared to the end of the 2015 fiscal year. During the period, 11 were franchised, 6 were closed and 13 were added.

The chart below provides the breakdown of MTY's locations and system sales by type:

Location type	% of location count,		% of system sales 6 months ended	
	May 31, 2016	**May 31, 2015**	**May 31, 2016**	**May 31, 2015**
Shopping mall & food court	**39%**	40%	**45%**	44%
Street front	**39%**	41%	**44%**	44%
Non-traditional format	**22%**	19%	**11%**	12%

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

Geographical location	% of location count,		% of system sales 6 months ended	
	May 31, 2016	**May 31, 2015**	**May 31, 2016**	**May 31, 2015**
Ontario	**37%**	40%	**27%**	29%
Quebec	**31%**	29%	**37%**	36%
Western Canada	**21%**	21%	**23%**	24%
Maritimes	**3%**	3%	**2%**	2%
International	**8%**	7%	**11%**	9%

System wide sales

During the first half of 2016, MTY's network generated $536.7 million in sales, an increase of 4% compared to the same period in 2015. The increase is distributed as follows:

	Sales *(millions of $)*
Reported sales – first half of 2015	516.2
Sales generated in 2016 by concepts acquired during 2015	13.7
Variation caused by stores opened in the last 18 months	32.4
Variation caused by stores closed in the last 18 months	(31.8)
Impact of same store sales growth	1.9
Impact of foreign exchange variation	4.9
Retroactive adjustment to estimates of sales in the first half of 2015	(0.6)
Reported sales – first half of 2016	536.7

For the second quarter of 2016, system sales totalled $274.8 million, compared to $269.5 million during the same period last year.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant. During the first half of 2016, only Thai Express represented more than 10% of the company's system sales. For the period the ten largest brands had the following weight as a proportion of MTY's network:

Top 10 brand information – System sales	Six months ended May 31, 2016	Six months ended May 31, 2015
Proportion of system sales represented	**68%**	68%
Proportion of locations represented	**68%**	68%

Same store sales

During the quarter ended May 31, 2016, same store sales declined by 0.5% over the same period last year. For the year, same stores sales were up by 0.4%. The increase in sales for the first half is largely attributable to the additional day in February compared to 2015.

Sales in Ontario remained strong in the second quarter, while Quebec was flat after a good first quarter. Western provinces, and more importantly Alberta and Saskatchewan remained under significant pressure owing to the increasingly difficult economic conditions prevailing in those two provinces; results of the second quarter for those two provinces were in line with those of the first quarter.

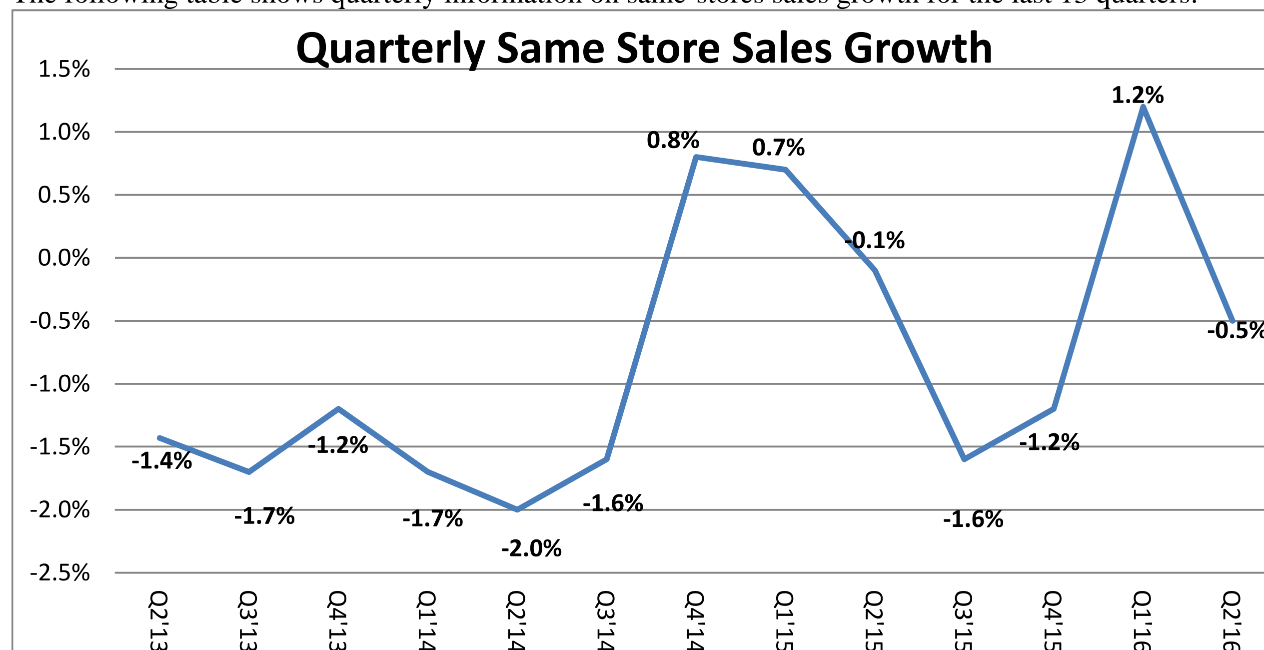
The table below presents some information regarding our 10 biggest brands for the first six months of 2016:

Top 10 brand information – Same store sales	# of brands	Weakest performance	Strongest performance
Positive growth	4		6.46%
Negative growth	6	-5.38%	

On average, same store sales of our top 10 brands increased by 0.2% during the first 6 months of 2016. During the second quarter, same store sales declined by 0.5% for those 10 brands.

For 2016, management expects competition to intensify further both from a price and an offering point of view. Volatility in the price of commodities and currencies has a very material impact on employment rates and disposable income for MTY's customers, resulting in uncertainty with respect to the future.

The following table shows quarterly information on same-stores sales growth for the last 13 quarters:



Stock options

During the period, no options were granted or exercised. As at May 31, 2016 there were no options outstanding.

Seasonality

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 mall locations are also higher than average in December during the Christmas shopping period.

Contingent liabilities

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.

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $66.

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographics across Canada and the United States, the performance of the Company is also influenced 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 costs, 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.

The growth of MTY is dependent on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements.

Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

The remuneration of key management personnel and directors during the period was as follows:

	Three months ended May 31, 2016	**Six months ended May 31, 2016**	Three months ended May 31, 2015	Six months ended May 31, 2015
	$	**$**	$	$
Short-term benefits	**179**	**416**	217	402
Board member fees	**10**	**22**	10	20
Total remuneration of key management personnel	**189**	**438**	227	422

Key management personnel is composed of the Company's CEO, COO and CFO. The remuneration of directors and key executives is determined by the Board of directors having regard to the performance of individuals and market trends.

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its CEO, who controls 26% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration was as follows:

	Three months ended May 31, 2016	**Six months ended May 31, 2016**	Three months ended May 31, 2015	Six months ended May 31, 2015
	$	**$**	$	$
Short-term benefits	**138**	**290**	74	180
Total remuneration of individuals related to key management personnel	**138**	**290**	74	180

Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are not yet effective and have not been applied in preparing the condensed interim consolidated financial statements for the period ended May 31, 2016.

The following standards may have a material impact on the condensed interim consolidated financial statements of the Company:

Standard	Issue date	Effective date [1]	Impact
IFRS 9 Financial Instruments	July 2014	January 1, 2018	In assessment
IFRS 15 Revenue from contracts with customers	May 2014	January 1, 2018	In assessment
IFRS 16 Leases	January 2016	January 1, 2019	In assessment
IAS1 Presentation of financial statements	December 2014	January 1, 2016	In assessment
IAS 12 Income taxes	January 2016	January 1, 2017	In assessment
IAS 7 Statement of cash flows	January 2016	January 1, 2017	In assessment

[1] Applicable to fiscal years beginning on or after this date

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions; however, for a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before February 1, 2015. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process Consequently, the exception in IAS 39 for fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 replaces the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. This new standard sets out the requirements for recognizing and disclosing revenue that apply to all contracts with customers.

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance. Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, Revenue from Contracts with Customers.

IAS 1 provides further clarification and amendments on note disclosure requirements.

IAS 12 provides further clarification with regards to the recognition of deferred tax assets for unrealized losses.

The IASB amended IAS 7 as part of its initiative regarding the disclosure requirements on financing activities in the statement of cash flows. The Company does not foresee any material impact on the disclosure currently presented as a result of this amendment.

The Company is in the process of assessing the impact of these standards on its condensed interim consolidated financial statements. Although the extent of the impact has not yet been determined, the Company expects that the adoption of IFRS 15 and IFRS 16 will result in material changes to its consolidated statement of income and consolidated statement of financial position.

Economic environment risk

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 recession 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 has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Financial instruments and financial risk exposure

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The classification, carrying value and fair value of financial instruments are as follows:

As at May 31, 2016

	Loans and receivables	**Other financial liabilities at amortized cost**	**Total carrying Value**	**Fair value**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	49,647	-	49,647	49,647
Accounts receivable	17,361	-	17,361	17,361
Loans receivable	510	-	510	510
Deposits	227	-	227	227
	67,745	**-**	**67,745**	**67,745**
Financial liabilities				
Line of credit	-	6,000	6,000	6,000
Accounts payable and accrued liabilities	-	24,893	24,893	24,893
Long-term debt [1]	-	6,715	6,715	6,715
	-	**37,608**	**37,608**	**37,608**

As at November 30, 2015

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	$	$	$	$
Financial assets				
Cash and cash equivalents	33,417	-	33,417	33,417
Accounts receivable	18,734	-	18,734	18,734
Loans receivable	457	-	457	457
Deposits	242	-	242	242
	52,850	**-**	**52,850**	**52,850**
Financial liabilities				
Line of credit	-	6,300	6,300	6,300
Accounts payable and accrued liabilities	-	24,361	24,361	24,361
Long-term debt [1]	-	7,956	7,956	7,956
	-	**38,617**	**38,617**	**38,617**

[1] Includes the current portion of long-term debt.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the condensed interim consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Loans receivable – The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at May 31, 2016.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the condensed interim consolidated statement of financial position are net of allowances for bad debts, estimated by Company's management based on prior experience and their assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada limits the concentration of credit risk.

- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash and cash equivalents is limited because the Company invests its excess liquidity in high quality financial instruments and with credit-worthy counterparties.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of $11 (November 30, 2015 - $11).

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company is mainly exposed to foreign exchange risk on sales denominated in foreign currencies. The Company's foreign operations use the U.S. dollar as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, other working capital items and the financial obligations of its foreign operations.

Other than the above-mentioned foreign transactions, the Company has minimal exposure to the US$ and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in the currency. The Company considers this risk to be relatively limited.

As of May 31, 2016, the Company carried US$ cash of CAD$2,473, net accounts receivable of CAD$826 and net accounts payable of CAD$922 (CAD$1,511, CAD$874 and CAD$954 as at November 30, 2015). All other factors being equal, a reasonable possible 1% rise in foreign currency exchange rates per Canadian dollar would result in a change on profit or loss and net comprehensive income of $24 (November 30, 2015 - $15) Canadian dollars.

Interest rate risk

The Company is exposed to interest rate risk with its revolving credit facility and treasury risk facility. Both facilities bear interest at a variable rate and as such the interest burden could potentially become more important. $6,000 (November 30, 2015 - $6,300) of the credit facility was used as at May 31, 2016. A 100 basis points increase in the bank's prime rate would result in additional interest of $60 per annum (November 30, 2015 - $63) on the outstanding credit facility. The Company limits this risk by using short-term banker's acceptance from the credit facility.

Liquidity risk

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

The following are the contractual maturities of financial liabilities as at May 31, 2016:

(thousands of $)	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	$	$	$	$	$	$
Line of credit	6,000	6,000	6,000	—	—	—
Accounts payable and accrued liabilities	24,893	24,893	24,893	—	—	—
Long-term debt	6,715	6,785	5,108	752	258	667
Interest on long-term debt	n/a	96	27	22	31	16
	37,608	**37,774**	**36,028**	**774**	**289**	**683**

Subsequent events

On June 22, 2016, the Company entered into International Swaps & Derivatives Association, Inc. (“ISDA”) enforceable agreement for an amount of US$200 million convertible at an exchange rate of 1.281. The agreement end date is July 25, 2016.

Outlook

It is Management’s opinion that the trend in the quick service restaurants industry will continue to grow in response to the demand from busy and on-the-go consumers.

In the very short term, management’s primary focus will be on producing positive same store sales by generating more innovation, focusing on the quality of customer service in each of its outlets and maximizing the value offered to its customers.

Management will also focus on the integration of the recently announced agreement to acquire Kahala Brands Ltd. which is expected to close within 75 days from the date of announcement. With the closing of the acquisition, MTY will focus on expanding its existing Canadian brands into the United States.

The quick service restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, consistency and store design will give MTY’s restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offer to consumers.

Management will maintain its focus on maximizing shareholder value by adding new locations of its existing concepts and remains committed to seek potential acquisitions to increase its market share.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure. Management regularly reviews disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's Chief Executive Officer and the Chief Financial Officer have concluded that the design of the disclosure controls and procedures ("DC&P") as at May 31, 2016 provide reasonable assurance that significant information relevant to the Company, including that of its subsidiaries, is reported to them during the preparation of disclosure documents.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal controls over financial reporting. The Company's internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal controls over financial reporting as at May 31, 2016, have concluded that the Company's internal controls over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at May 31, 2016, no change in the Company's internal controls over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations of Big Smoke Burger (acquired September 18, 2015). Excluding the goodwill created on the acquisition, the operations represent 3% of the Company's assets (3% of current assets, 3% of non-current assets); they also represent 2% of current liabilities and 11% of long-term liabilities, 3% of the Company's revenues and 3% of the Company's net earnings for the period ended May 31, 2016.

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's condensed interim consolidated financial statements. For the period ended May 31, 2016, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 0% of the Company's current liabilities, 0% of long-term liabilities, 4% of the Company's revenues and 0% of the Company's net earnings.

"*Stanley Ma*"

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Stanley Ma, Chief Executive Officer

"*Eric Lefebvre*"

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Eric Lefebvre, CPA, CA, MBA Chief Financial Officer