



Management's Discussion and Analysis For the nine months ended August 31, 2014

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 and with the most recent annual report, for the fiscal year ended November 30, 2013.

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 consolidated financial statements contained in this interim 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 the current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2013.

This MD&A was prepared as at October 7, 2014. 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 2014. Forward-looking statements also include any other statements that do not refer to independently verifiable 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 MD&A describe our expectations at October 7, 2014 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 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 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 MD&A are based on a number of assumptions that we believed were reasonable on October 7, 2014. 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 we have used in making forward-looking statements contained in this MD&A. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

In preparing interim 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 in the condensed interim consolidated financial statements 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 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 MD&A.

We caution readers that the risks described above are not the only ones that could impact us. 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 October 7, 2014. 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.

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 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 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 first nine months of 2014

On July 21, 2014, the Company announced that it had completed the acquisition of 90% of the Canadian assets of Madisons New York Grill & Bar (“Madisons”) (www.madisonsnyc.com). The total consideration for 100% of the assets was \$12.9 million. The transaction was effective on July 18, 2014.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémère, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai 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, Mucho Burrito, Extreme Pita, PurBlendz, ThaiZone and Madisons New York Grill & Bar.

As at August 31, 2014, MTY had 2,611 locations in operation, of which 2,586 were franchised or under operator agreements and the remaining 25 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 and in other venues or retailers shared sites. 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 Crémère, “TCBY”, Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaiZone, Extreme Pita, Mucho Burrito and Madisons banners. La Crémère 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 and O'Burger.

Other banners added through acquisitions include:

- 18 locations from the Fontaine Santé/Veggirama chain in 1999,
- 74 locations from the La Crémère ice cream chain in 2001,
- 20 locations from the Croissant Plus chain in 2002,
- 24 locations from the Cultures chain in 2003,
- 6 locations from the Thai Express chain in May 2004,
- 103 locations from the Mrs. Vanelli's chain in June 2004,
- 91 locations of The Country's Best Yogurt "TCBY" with the undertaking of the Canadian master franchise right in September 2005,
- On April 1, 2006, MTY acquired the exclusive master franchise rights to franchise Yogen Früz™ throughout Canada with its network of 152 existing locations,
- On September 1, 2006, MTY acquired the Sushi Shop banner with its 42 franchise locations and 5 corporate owned locations,
- On October 19, 2006, the Company acquired the Koya Japan banner with its 24 franchise locations and one corporate owned location,
- On September 1, 2007 MTY purchased 15 existing Sushi Shop franchise locations from an investor group,
- On September 15, 2008, MTY acquired the Tutti Frutti banner with its 29 outlets. This banner caters to the breakfast and lunch crowd,
- On October 31, 2008, MTY acquired the Canadian franchising rights of Taco Time. As at the date of acquisition, there were 117 Taco Time restaurants operating in Western Canada,
- On May 1, 2009, the Company acquired the outstanding shares of Country Style Food Services Holdings Inc. with the 480 outlets operated by its subsidiaries,
- On September 16, 2010, the Company acquired the outstanding shares of Groupe Valentine inc. and of its network of 95 stores. The transaction was effective September 1, 2010,
- On August 24, 2011, the Company acquired the assets of Jugo Juice International Inc. with 136 outlets in operation at the date of closing. The transaction was effective August 18, 2011,
- On November 1, 2011, the Company acquired the assets of Mr. Submarine Limited, with 338 stores in operations at the date of closing,
- On November 10, 2011, the Company acquired the assets of Koryo Korean BBQ Franchise Corp. with 20 stores in operations at the effective date of closing. The transaction was effective November 1, 2011.
- On September 26, 2012, the Company acquired the assets of Mr. Souvlaki Ltd. with 14 stores in operation at the effective date of closing.
- On May 31, 2013, the Company acquired the SushiGo banner, with a total of 5 outlets at the date of closing. The acquisition was effective on June 1, 2013.
- On September 24, 2013, the Company acquired the assets of Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz"), with a total of 305 stores, including five corporately-owned stores. Of the 305 stores, 34 were operated from the United States.
- On September 30, 2013, the Company acquired 80% of the assets of Thai Zone. At the date of closing, the chain operated 25 stores and 3 mobile restaurants.
- On July 21, 2014, the Company acquired 90% of Madisons. At the date of closing, there were 14 franchised stores located in the province of Quebec. The transaction was effective July 18, 2014.

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 microwavable meals 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 our 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 July 21, 2014, the Company acquired the assets of Madisons for a total consideration of \$12.9 million. The Company took a 90% ownership position in the newly created subsidiary. 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 September 30, 2013, the Company acquired 80% of the assets of Thai Zone for a total consideration of \$17.7 million, paid from MTY's cash on hand and available credit facilities. At the date of closing, Thai Zone operated 25 stores and 3 mobile restaurants. Of the purchase price, the Company withheld \$1.78 million in non-interest bearing holdbacks.

On September 24, 2013, the Company acquired the assets of Extreme Pita, PurBlendz and Mucho Burrito for a consideration of \$45 million, paid from MTY's cash on hand. At the date of closing, there were 305 stores in operation, 5 of which were corporate locations and 34 of which were located in the United States. Of the purchase price, the Company withheld \$4.5 million in non-interest bearing holdbacks.

On May 31, 2013, the Company acquired most of the assets of Gestion SushiGo – Sesame Inc. (www.sushigoexpress.ca), 9161- 9379 Quebec Inc. and 9201-0560 Quebec Inc. for a total consideration of \$1.05 million. At the date of closing, there were 5 SushiGo stores in operation, two of which were corporate locations. The acquisition was effective on June 1, 2013. Of the purchase price, the Company withheld \$0.1 million in non-interest bearing holdbacks.

Summary of quarterly financial information

Quarters ended								
in thousands of \$	November 2012	February 2013	May 2013	August 2013	November 2013	February 2014	May 2014	August 2014
Revenue	\$26,347	\$22,628	\$25,342	\$25,130	\$28,260	\$25,602	\$29,402	\$30,234
Net income attributable to owners	\$6,263	\$5,635	\$6,250	\$6,682	\$7,145	\$5,537	\$7,269	\$7,099
Total comprehensive income attributable to owners	\$6,263	\$5,635	\$6,250	\$6,682	\$7,151	\$5,519	\$7,281	\$7,085
Per share	\$0.33	\$0.29	\$0.33	\$0.35	\$0.37	\$0.29	\$0.38	\$0.37
Per diluted share	\$0.33	\$0.29	\$0.33	\$0.35	\$0.37	\$0.29	\$0.38	\$0.37

Results of operations for the nine-month period ended August 31, 2014

Revenue

During the first nine months of our 2014 fiscal year, the Company's total revenue increased by 17% to reach \$85.2 million compared to the first nine months of 2013. Revenues for the four segments of business are broken down as follows:

	August 31, 2014 (\$ million)	August 31, 2013 (\$ million)	Variation
Franchise operation	67.3	54.0	25%
Corporate stores	8.5	8.5	1%
Distribution	4.1	4.2	(4%)
Food processing	6.2	7.0	(12%)
Intercompany transactions	(0.8)	(0.6)	N/A
Total operating revenues	85.2	73.1	17%

As is shown in the table above, revenue from franchise locations progressed by 25%. Several factors contributed to the variation, as listed below:

	Smillion
Revenues, first nine months of 2013	54.0
Increase in recurring revenue streams	10.2
Increase in initial franchise fees	0.2
Increase in turn-key, sales of material to franchisees and rent revenues	2.9
Other non-material variations	(0.0)
Revenues, first nine months of 2014	67.3

During the first three quarters of 2014, the Company benefitted from the impact of the acquisitions realised late in 2013, which accounted for most of the increase in recurring streams of revenues.

Revenue from corporate owned locations was stable during the period. There was a reduction in the revenues derived from Special Purpose Entities, which was offset by a higher average unit volume for the corporate stores held during 2014 compared to the same period last year.

Distribution and food processing revenues both decreased during the first nine months of 2014. Distribution revenues have decreased 4% because of a shift in the sales mix, which is impacted by various internal factors such as promotions on certain products, as well as by external factors such as consumer preferences and trends. Revenues from the food processing business were down 12% as certain products have been discontinued because of a lack of profitability.

Cost of sales and other operating expenses

During the first three quarters of 2014, operating expenses increased by 22% to \$53.9 million, up from \$44.2 million for the same period a year ago. Operating expenses for the four business segments were incurred as follows:

	August 31, 2014 (\$ million)	August 31, 2013 (\$ million)	Variation
Franchise operation	36.0	25.7	40%
Corporate stores	8.6	8.2	4%
Distribution	3.7	3.9	(4%)
Food processing	6.4	7.1	(9%)
Intercompany transactions	(0.8)	(0.6)	N/A
Total operating expenses	53.9	44.2	22%

Expenses from franchise operations increased by \$10.3 million in the first nine months of 2014 compared to the same period last year.

Most of the increase is attributable to the operations of newly acquired concepts; the majority of the expenses from those new concepts come in the form of turnkeys and wages and benefits.

Approximately \$3.0 million of the increase in franchise operation expenses result from increases in the allowance for doubtful account and in the charges for closed stores and disputes. Those are re-assessed in detail each quarter using information that is available to management at that moment; new information became available during the second and third quarters that warranted a significant increase in both the allowance for doubtful accounts and in the provisions for closed stores and disputes.

Expenses from corporate stores increased by 4%, mostly for factors explained in the Revenue section above. The increase was slightly more important than that of revenue as the Company sold some stores that produced above-average profit margins.

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

	Nine months ended August 31, 2014					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$67.30	\$8.52	\$4.08	\$6.19	(\$0.85)	\$85.24
Expenses	\$36.02	\$8.55	\$3.73	\$6.44	(\$0.85)	\$53.90
EBITDA ⁽¹⁾	\$31.28	\$(0.03)	\$0.34	\$(0.25)	\$0.00	\$31.34
EBITDA as a % of Revenue	46%	N/A	8%	N/A	N/A	37%

	Nine months ended August 31, 2013					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$53.99	\$8.46	\$4.25	\$7.02	(\$0.61)	\$73.10
Expenses	\$25.70	\$8.18	\$3.89	\$7.07	(\$0.61)	\$44.23
EBITDA ⁽¹⁾	\$28.29	\$0.28	\$0.36	(\$0.05)	\$0.00	\$28.88
EBITDA as a % of Revenue	52%	3%	9%	N/A	N/A	40%

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.

⁽¹⁾*EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 9.*

Total EBITDA for the first nine months of 2014 was \$31.3 million, an increase of 9% compared to the same period in 2013.

During the period, the franchising operations generated \$31.3 million in EBITDA, an 11% increase over the results of the same period last year. The increase is mainly attributable to the operations of the newly acquired concepts, which generated more than the total increase in EBITDA. The increase generated by the newly acquired concepts was partly offset by increase in the allowance for doubtful accounts and in the charges for closed stores and disputes.

This, and a higher weight of revenues from turnkeys contributed in causing the 46% decrease in the EBITDA from franchise operations as a percentage of revenue.

Net income

For the nine-month period ended August 31, 2014, the Company's net income attributable to owners grew by 7% over the same period last year. MTY reported a net income attributable to its owners of \$19.9 million or \$1.04 per share (\$1.04 per diluted share) compared to \$18.6 million or \$0.97 per share (\$0.97 per diluted share) in 2013.

The increase in net income is mostly attributable to the EBITDA generated by the concepts acquired late in 2013. This growth was partially offset by higher amortization charges on intangible assets, which also result from the assets acquired in 2013.

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

(in thousands of dollars)

	Period ended August 31, 2014	Period ended August 31, 2013
Income before taxes	27,053	25,347
Depreciation – property, plant and equipment	864	824
Amortization – intangible assets	4,372	2,922
Interest on long-term debt	311	225
Foreign exchange gains	(16)	(54)
Interest income	(54)	(383)
Gain on redemption of preferred shares	(100)	-
Gain on disposal of property, plant and equipment	(1,090)	(6)
EBITDA	31,340	28,875

Other income and charges

The gain on disposal of property, plant and equipment increased by \$1.1 million mainly because of the disposal two highly profitable stores during the third quarter of 2014.

Interest income decreased because the Company's net interest-bearing cash balance in the first nine months of 2013 was used up for acquisitions.

Income taxes

The Company's tax burden was slightly lower in the first nine months of 2014 than it was for the same period in 2013. This is mostly attributable to the more favorable tax treatment of capital gains realized on the disposal of corporate stores.

Results of operations for the quarter ended August 31, 2014

Revenue

During the third quarter of our 2014 fiscal year, the Company's total revenue increased by 20% to reach \$30.2 million. Revenues for the four segments of business are broken down as follows:

	August 31, 2014 (\$ million)	August 31, 2013 (\$ million)	Variation
Franchise operation	23.9	18.5	29%
Corporate stores	3.5	3.0	21%
Distribution	1.4	1.5	(5%)
Food processing	1.9	2.4	(23%)
Intercompany transactions	(0.5)	(0.2)	N/A
Total operating revenues	30.2	25.1	20%

As is shown in the table above, revenue from franchise locations progressed by 29%. Several factors contributed to the variation, as listed below:

	\$million
Revenues, third quarter of 2013	18.5
Increase in recurring revenue streams	3.8
Increase in turn-key, sales of material to franchisees and rent revenues	1.3
Other non-material variations	0.3
Revenues, third quarter of 2014	23.9

During the third quarter of 2014, the Company benefitted from the impact of the acquisitions realised late in 2013, which contributed most of the increase in recurring streams of revenues, as well as from the revenues generated by the Madisons acquisition. Those newly acquired concepts also generated a significant amount of revenues from turnkeys and sales of material to franchisees.

Revenue from corporate owned locations increased 21%, to \$3.5 million during the period. The increase is mainly due to the opening and acquisition of certain stores during 2014 that generate above average revenues.

Food processing revenues have decreased by 23%, mainly as a result of the interruption of the production of certain non-profitable products as well as to some slowdown in the production that has occurred while the Company was acquiring the shares of one of the minority shareholders.

Cost of sales and other operating expenses

During the third quarter of 2014, operating expenses increased by 35% to \$19.7 million, up from \$14.6 million for the same period a year ago. Operating expenses for the four business segments were incurred as follows:

	August 31, 2014 (\$ million)	August 31, 2013 (\$ million)	Variation
Franchise operation	13.2	8.4	58%
Corporate stores	3.7	2.7	36%
Distribution	1.3	1.4	(4%)
Food processing	2.1	2.4	(13%)
Intercompany transactions	(0.5)	(0.2)	N/A
Total operating expenses	19.7	14.6	35%

Expenses from franchise operations increased by \$4.8 million in the third quarter of 2014 compared to the same period last year. The increase is mainly attributable to increases in the allowance for doubtful accounts and in the charges for disputes and closed stores recorded during the period. Combined they account for approximately \$2.0 million of the increase in franchise operations expense. This increase was caused by new information that became available during the quarter. The remainder of the increase was generated by concepts acquired late in 2013.

The expenses of corporate stores increased by 36% as the Company opened new stores and acquired others during the quarter. The sale of some highly profitable stores also resulted in reduced margins for the segment.

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

	Three months ended August 31, 2014					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$23.90	\$3.54	\$1.42	\$1.89	(\$0.53)	\$30.23
Expenses	\$13.17	\$3.70	\$1.30	\$2.08	(\$0.53)	\$19.72
EBITDA ⁽¹⁾	\$10.73	\$(0.15)	\$0.12	\$(0.19)	\$0.00	\$10.51
EBITDA as a % of Revenue	45%	N/A	9%	N/A	N/A	35%

	Three months ended August 31, 2013					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$18.47	\$2.94	\$1.49	\$2.46	(\$0.23)	\$25.13
Expenses	\$8.36	\$2.73	\$1.36	\$2.40	(\$0.23)	\$14.61
EBITDA	\$10.11	\$0.21	\$0.13	\$0.06	\$0.00	\$10.52
EBITDA as a % of Revenue	55%	7%	9%	2%	N/A	42%

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.

⁽¹⁾*EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 13.*

Total EBITDA for the third quarter was \$10.5 million, in line with the same period in 2013.

During the period, the franchising operations generated \$10.7 million in EBITDA, a 6% increase over the results of the same period last year. The increase in EBITDA generated by existing and newly acquired concepts was completely offset by the increase in operating expenses during the quarter.

EBITDA as a percentage of revenue decreased to 45%, mainly because of higher than normal operating expenses and of the additional weight of turnkey revenues in the Company's sales mix.

EBITDA from corporate owned locations decreased during the three-month period, mainly because of the disposition of certain highly profitable stores during 2014.

Net income

For the three month period ended August 31, 2014, the Company's net income attributable to owners increased by 6% over the same period last year. MTY reported a net income attributable to its owners of \$7.1 million or \$0.37 per share (\$0.37 per diluted share) compared to \$6.7 million or \$0.35 per share (\$0.35 per diluted share) in 2013.

The increase in net income is mostly attributable to the EBITDA generated by the concepts acquired late in 2013 and by the gains realized on the disposition of certain corporate restaurants.

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

(in thousands of dollars)

	Period ended August 31, 2014	Period ended August 31, 2013
Income before taxes	9,354	9,285
Depreciation – property, plant and equipment	358	315
Amortization – intangible assets	1,486	977
Interest on long-term debt	150	74
Foreign exchange gains or losses	13	(17)
Interest income	(47)	(117)
Gain on redemption of preferred shares	(100)	-
(Gain) loss on disposal of property, plant and equipment	(736)	4
Other income	37	-
EBITDA	10,515	10,521

Other income and charges

The Company generated a non-recurring gain of \$0.7 million on the disposal of certain stores during the third quarter. There was no such gain in the same period in 2013.

Income taxes

The provision for income taxes as a percentage of income before taxes decreased during the quarter compared to the same period last year, mainly because of the more favorable tax treatment of capital gains realized during the third quarter.

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 August 2015	\$3,284	\$3,635	\$6,919
12 months ending August 2016	\$3,964	\$3,371	\$7,335
12 months ending August 2017	\$263	\$2,731	\$2,993
12 months ending August 2018	\$263	\$2,336	\$2,599
12 months ending August 2019	\$263	\$1,858	\$2,122
Balance of commitments	\$456	\$5,737	\$6,193
	\$8,493	\$19,668	\$28,161

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to August 31, 2014 condensed interim consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions as well as non-interest bearing contract cancellation fees.

At the end of the third quarter, the Company had drawn \$8,000 from one of 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 4.5:1. At August 31, 2014, 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.

In addition to the above, the Company has entered into supplier agreements for purchases of wheat, sugar and shortening. The total commitment amounts to \$0.1 million.

Liquidity and capital resources

As of August 31, 2014, the amount held in cash and cash equivalents net of the line of credit totalled \$1.3 million, an increase of \$7.1 million since the end of our 2013 fiscal period. The increase is attributable to the strong cash flows generated by our operations during the first nine months of the 2014 fiscal year, which were partially offset by the amount disbursed for the acquisition of Madisons.

Cash flows generated by operating activities were \$22.8 million during the first nine months of 2014, compared to \$18.3 million for the same period in 2013. Excluding the variation in non-cash working capital items, income taxes and interest paid, our operations generated \$32.1 million in cash flows, compared to \$29.8 million in 2013, which represents an increase of 8% compared to the same period last year. For the third quarter, the increase in the operating cash flows before payments of income taxes and interest was 4%.

The main driver for this increase is the growth in EBITDA generated by the concepts acquired in 2013.

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 \$30.0 million, all of which was available as at August 31, 2014.

Excess cash generated by our operations are typically held in high yield savings account or guaranteed investment certificates until they are required.

Financial position

Accounts receivable at the end of the third quarter were at \$15.2 million, compared to \$13.5 million at the end of the 2013 fiscal period. The increase is mainly due to the seasonal nature of certain activities and concepts.

The provision for doubtful accounts has increased by \$3.4 million since November 30, 2013, mainly as a result of the difficult environment in which some of our franchisees operate that result in higher uncertainty regarding the collection of amounts due.

Investment in subsidiary held-for-sale consists of the Company's investment in 7687567 Canada Inc., which was classified as held for sale during our 2013 fiscal year. During the third quarter, the Company acquired the shares of one of the minority shareholders for \$0.3 million, bringing its total ownership to 91%. This additional investment was made to facilitate the restructuring of the plant's operations. The value of the investment in subsidiary held-for-sale reported in the consolidated condensed interim statement of financial position is equal to 7687567 Canada Inc.'s net carrying value of assets less liabilities. This investment represents a segment of the Company.

Accounts payable have decreased to \$11.1 million as at August 31, 2014, from \$11.9 million as at November 30, 2013. This is mainly caused by a seasonal reduction of the net balance of the individual brands' advertising fund at the end of the quarter.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, increased to \$2.9 million from \$1.8 million. The increase is due to higher gift card liabilities at quarter end, following the acquisition of Madisons and of the net gift card liability it carried. Closed store and litigation and disputes provisions have also increased in light of new information that became known during the third quarter.

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 August 31, 2014 was \$4.0 million, a slight increase of \$0.4 million compared to the balance at the end of 2013. These amounts will be recognized into revenues as they are earned.

The long-term debt is composed of non-interest bearing holdbacks on acquisitions and of non-interest bearing contract cancellation fees. During the quarter, the balance of sale resulting from the Madisons acquisition was added to the long-term debt. During the nine-month period, repayments of \$0.4 million were made on one of the holdbacks.

Further details on the above statement of financial position items can be found in the notes to the August 31, 2014 condensed interim consolidated financial statements.

Capital stock

No shares were issued during the quarter ended August 31, 2014. As at October 7, 2014 there were 19,120,567 common shares of MTY outstanding.

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 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.

	Number of locations nine months ended <u>August 2014</u>	Number of locations nine months ended <u>August 2013</u>
Franchises, beginning of year	2,565	2,179
Corporate owned, beginning of year	25	20
Opened during the period		
Mall	31	36
Street	28	35
Non-traditional	39	38
Closed during the period		
Mall	(26)	(11)
Street	(34)	(22)
Non-traditional	(31)	(47)
Acquired during the period	14	5
Total end of period	2,611	2,233
Franchises, end of period	2,586	2,206
Corporate owned, end of period	25	27
Total end of period	2,611	2,233

During the nine-month period ended August 31, 2014, the Company's network experienced a net increase of 21 outlets, compared to a net addition of 34 outlets for the same period a year ago. The higher number of stores closed during 2014 is mostly attributable to the termination of agreements for stores that had been underperforming. Approximately 60% of the stores closed during the period were located in Ontario.

At the end of the period, the Company had 25 corporate stores, a net decrease of two compared to the end of our 2013 fiscal year. During the period, 13 corporate-owned locations were sold, 2 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 nine months ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Shopping mall & food court	35%	39%	40%	48%
Street front	41%	36%	50%	42%
Non-traditional format	24%	25%	10%	10%

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

Geographical location	% of location count		% of system sales nine months ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Ontario	43%	46%	32%	35%
Quebec	27%	28%	34%	34%
Western Canada	22%	20%	27%	25%
Maritimes	3%	2%	2%	1%
International	5%	4%	5%	5%

System wide sales

System wide sales for the three-month period ended August 31, 2014 increased by 28% to \$230.9 million. For the first nine months of 2014, system sales reached \$650.5 million, an increase of 26% over the same period in 2013. Approximately 90% of the increase is the result of the sales generated by the brands acquired last year and during the third quarter of 2014. The rest of the increase comes from stores opened in the last twelve months.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant.

Same-store sales

During the quarter ended August 31, 2014, same-stores sales declined by 1.6% over the same period last year. For the first nine months of 2014, same-stores sales have declined by 1.8%.

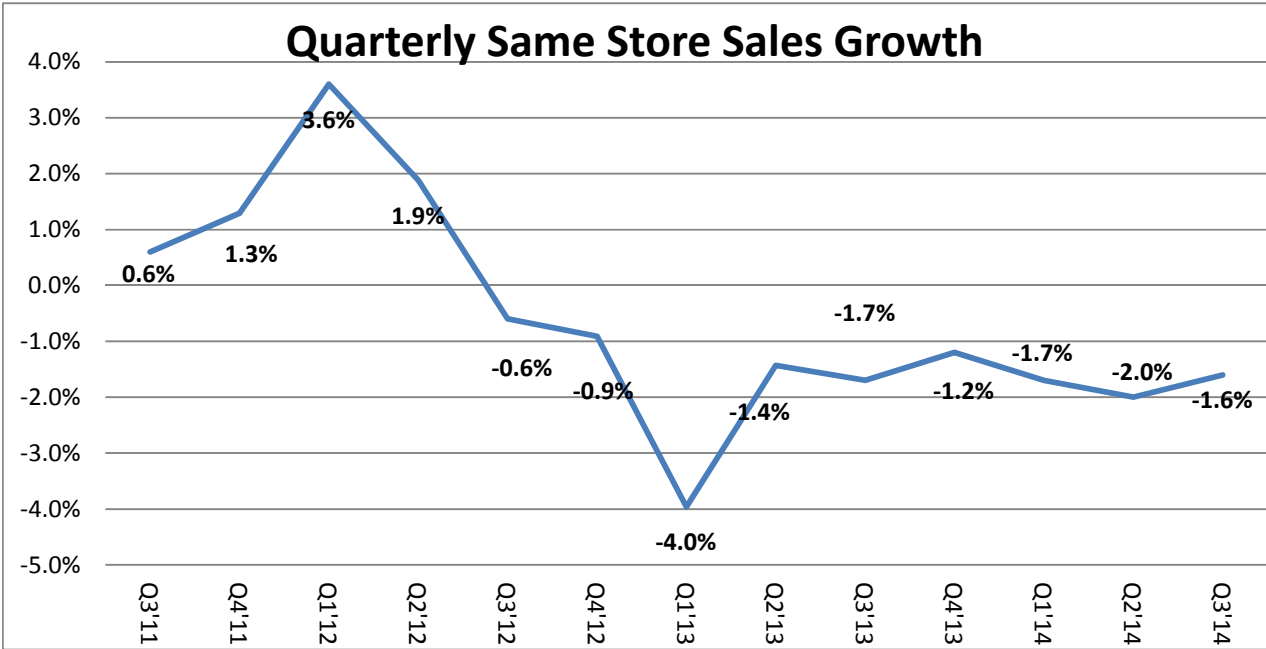
During the third quarter of 2014, nine of our concepts produced positive same store sales growth, compared to eight on a year-to-date basis. While some brands experienced very positive changes during the third quarter, some other brands experienced further deterioration in their comparative sales, creating an unfavourable average.

The intense price and offering competition described in our last MD&A has continued and even intensified during the second and third quarters; as a result consumers are looking for value when they spend food dollars, making it increasingly difficult for our stores to maintain the average ticket per customer and traffic.

Many of our brands were adversely impacted by the unusually cold weather in many regions of Canada during the first six months of our fiscal period, which we believe has caused a reduction in the number of visits to our restaurants. This was mostly felt in street front locations, which suffered the biggest decrease. Mall locations produced flat same store sales growth during the period.

Once again this quarter, Western provinces fared better than Ontario and Quebec, as economies of those two provinces have remained sluggish during the period. All three types of stores (Mall, Street and Non-Traditional) were down during the third quarter.

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 August 31, 2014 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 malls 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 \$45.

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographics across Canada, 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 dependant 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.

Compensation of key management personnel

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

	Three months ended August 31, 2014	Nine months ended August 31, 2014	Three months ended August 31, 2013	Nine months ended August 31, 2013
	\$	\$	\$	\$
Short-term benefits	221	621	191	593
Board member fees	16	30	12	32
Total remuneration of key management personnel	237	651	203	625

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 August 31, 2014	Nine months ended August 31, 2014	Three months ended August 31, 2013	Nine months ended August 31, 2013
	\$	\$	\$	\$
Short-term benefits	170	419	114	260
Total remuneration of individuals related to key management personnel	170	419	114	260

A corporation owned by individuals related to key management personnel has non-controlling participation in one of the Company's subsidiaries, which has no operations.

Adoption of IFRS Standards

On December 1, 2013, the Company adopted the new standards IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement and the amended versions of the standards IAS 1 Presentation of Financial Statements, IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation. All of these standards apply to fiscal years beginning on or after January 1, 2013.

The adoption of these new standards or their amended version did not have an impact on the condensed interim condensed consolidated financial statements of the Company for the third quarter of 2014, except for the new disclosure requirements by amended versions of IAS 1 and IAS 34 Interim Financial Reporting that were applied in these financial statements.

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 for the period ended August 31, 2014, and have not been applied in preparing these consolidated financial statements.

The following standards may have an impact on the consolidated financial statements of the Company:

Standard	Effective date ¹	Impact ²
IFRS 9 <i>Financial Instruments</i>	To be determined	In assessment
IFRS 15 <i>Revenue from contracts with customers</i>	January 1, 2017	In assessment
Amendments to IAS 32 <i>Financial Instruments: Presentation</i>	January 1, 2014	No financial impact
IAS 19 <i>Employee benefits</i>	July 2014	No financial impact
IAS 39 <i>Financial instrument : Recognition and Measurement</i>	January 1, 2014	No financial impact
Annual Improvement to IFRS (2010-2012 cycle)	July 2014	In assessment ³

1) *Effective for annual periods starting on or after:*

2) *Impact on the consolidated financial statements estimated by the Company.*

3) *The Company will present the required disclosures in its annual consolidated financial statements for the year ending November 30, 2015.*

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. This is the first phase of that project.

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IAS 32 was amended by the IASB to clarify certain requirements and address inconsistencies encountered upon practical application of this standard.

IAS 19 modifies the accounting treatment of employee or third-party contributions to a defined benefit plan.

IAS 39 was amended by the IASB to modify the identified criteria in the standard to be met in hedge accounting of a derivative financial instrument designated as a hedging instrument

Annual improvement to IFRS (2010-2012 cycle) was performed by IASB as part of its annual improvement process. Several standards were amended:

- IFRS 3: *Business Combinations*: Accounting for contingent consideration in business combination
- IFRS 8: *Operating segments*: Disclosure for aggregation of operating segments; and
- IAS 24: *Related Party Disclosures*: Disclosures related to key management personnel.

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 August 31, 2014

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	9,274	-	9,274	9,274
Accounts receivable	15,197	-	15,197	15,197
Loans receivable	746	-	746	746
	25,217	-	25,217	25,217
Financial liabilities				
Line of credit	-	8,000	8,000	8,000
Accounts payable and accrued liabilities	-	11,098	11,098	11,098
Long-term debt ¹	-	8,257	8,257	8,257
	-	27,335	27,335	27,335

As at November 30,2013

	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	6,136	-	6,136	6,136
Accounts receivable	13,452	-	13,452	13,452
Loans receivable	978	-	978	978
	20,566	-	20,566	20,566
Financial liabilities				
Line of credit	-	12,000	12,000	12,000
Accounts payable and accrued liabilities	-	11,903	11,903	11,903
Long-term debt ¹	-	7,169	7,169	7,169
	-	31,072	31,072	31,072

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 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 valuation assumptions and/or methods were used to estimate the fair value of financial instruments:

- The fair values of cash, line of credit, accounts receivable, and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturities. The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value;
- The fair value of long-term debt, including finance lease obligations, is determined 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 August 31, 2014.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the statement of financial position are net of allowances for bad debts, estimated by the 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 \$17 (\$135 as at November 30, 2013).

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 its purchase of coffee, wheat and sugar. The Company has entered into a contract to minimize its exposure to fluctuations in foreign currencies related to the purchase of coffee. As of August 31, 2014, the total value of such contracts was approximately \$144.

In addition, the Company concludes 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 August 31, 2014, the Company carried US\$ cash of CAD\$1,267, net accounts receivable of CAD\$765 and net accounts payable of CAD\$459 (CAD\$887, CAD\$437 and CAD\$342 respectively as at November 30, 2013). All other factors being equal, a 1% variation in foreign currency exchange rates per Canadian dollar would result in a change on profit or loss and net comprehensive income of \$16 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. A balance of \$8 million was drawn from one of the facilities while the other credit facility was not used as at August 31, 2014.

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 August 31, 2014:

In thousands of \$

	Carrying Amount	Contractual Cash Flows	0 to 6 Months	6 to 12 Months	12 to 24 Months
Line of credit	\$ 8,000	\$ 8,000	\$ 8,000	\$ -	\$ -
Accounts payable and accrued liabilities	11,098	11,098	11,098	-	-
Long-term debt	8,257	8,493	2,445	839	3,964
Interest on long-term debt	N/A	N/A	105	97	172
	<u>27,355</u>	<u>27,591</u>	<u>21,648</u>	<u>936</u>	<u>4,136</u>

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 restoring 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 finalizing the integration of the recently acquired brands.

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 August 31, 2014 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.

As a result of a review by the British Columbia Securities Commission, we also confirm the following to clarify the disclosures in our 2013 annual MD&A:

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 November 30, 2013 provided reasonable assurance that significant information relevant to the Company, including that of its subsidiaries, has been 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 control over financial reporting. The Company's internal control 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 control over financial reporting as at August 31, 2014, have concluded that the Company's internal control 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 August 31, 2014, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control 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 control 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 error or mistake. 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 control over financial reporting to exclude controls, policies and procedures and internal control over financial reporting of the recently acquired operations of Madisons (acquired July 18, 2014) Extreme Brandz (acquired September 24, 2013) and ThaiZone (acquired September 30, 2013). Excluding the goodwill created on the acquisitions, these operations respectively represent 6%, 18% and 8% of the Company's assets (2%, 11% and 5% of current assets, 6%, 19% and 8% of non-current assets); they also represent 31%, 8% and 0% of current liabilities (13%, 5% and 5% of long-term liabilities), 0%, 10% and 2% of the Company's revenues and 1%, 14% and 2% of the Company's net earnings for the nine months ended August 31, 2014.

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 control over financial reporting to exclude controls, policies and procedures and internal control 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 consolidated financial statements. For the nine-month period ended August 31, 2014, 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, 2% of the Company's revenues and 0% of the Company's net earnings.

"Stanley Ma"

Stanley Ma, Chief Executive Officer

"Eric Lefebvre"

Eric Lefebvre, CPA, CA, MBA Chief Financial Officer