Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") has been prepared as of July 31, 2013 and is intended to assist in understanding the financial performance and financial condition of The Second Cup Ltd. ("Second Cup" or the "Company") for the 13 weeks (the "Quarter") and 26 weeks ("Year to Date") ended June 29, 2013, and should be read in conjunction with the unaudited condensed interim financial statements of the Company and accompanying notes for the Quarter, as well as the audited annual financial statements of Second Cup and MD&A for the year-ended December 29, 2012 and the Annual Information Form, which are available at www.sedar.com. Past performance may not be indicative of future performance. All amounts are presented in thousands of Canadian dollars, unless otherwise indicated and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this MD&A, the Company also reports certain non-IFRS measures such as system sales of cafés, same café sales, EBITDA, and adjusted earnings per share. System sales of cafés and same café sales are discussed below under "System Sales". EBITDA represents earnings before interest, taxes, depreciation, amortization and impairment charges. Adjusted earnings per share represents earnings per share excluding impairment charges. As there is no generally accepted method of calculating EBITDA, the measure as calculated by the Company might not be comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because management interprets trends in EBITDA as an indicator of relative financial performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS.

The Second Cup Ltd. Management's Discussion and Analysis

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OVERVIEW AND BUSINESS OF SECOND CUP

Second Cup is Canada's largest specialty coffee café franchisor (as measured by the number of cafés) with 362 cafés operating under the trade name Second CupTM in Canada, of which ten are Company-operated and the balance are operated by franchise partners who are selected and trained to retail Second Cup's product offering.

Second Cup owns the trademarks, trade names, operating procedures and systems and other intellectual property used in connection with the operation of Second Cup cafés only in Canada.

Second Cup is incorporated and domiciled in Canada. The address of its registered office is 6303 Airport Road, 2nd Floor, Mississauga, Ontario L4V 1R8. The Company's website is www.secondcup.com.

Second Cup's fiscal year follows the method implemented by many retail entities, such that each quarter will consist of 13 weeks and will end on the Saturday closest to the calendar quarter-end. The fiscal year is made up of 52 or 53 week periods ending on the last Saturday of December.

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol "SCU."

As at July 31, 2013, the Company's issued share capital consisted of 9,903,045 common shares, unchanged from year-end.

Additional information relating to the Company, including the Company's Annual Information Form, is on SEDAR at www.sedar.com.

BASIS OF PRESENTATION

The unaudited condensed interim financial statements for the Quarter have been prepared in accordance with IFRS, as applicable to condensed interim financial reports including International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and should be read in conjunction with the Company's audited annual financial statements for the year-ended December 29, 2012.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 of the audited annual financial statements for the year-ended December 29, 2012.

The accounting policies applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year, except as described in the interim financial statements for the period ended March 30, 2013 pertaining to the adoption of new IFRS. The accounting policies are based on IFRS issued and outstanding as of July 31 2013, the date the Board of Directors approved the unaudited condensed interim financial statements.

The Company's business is classified as one operating segment that is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company is structured as a franchisor with all of its operating revenues derived in Canada. Operating revenues are comprised of royalties, the sale of goods from Company-operated cafés and the sale of goods through ancillary channels, and other service fees. Management is organized based on the Company's operations as a whole rather than the specific revenue streams.

Management's Discussion and Analysis

As a franchisor, Second Cup opens, acquires, closes and refranchises individual café locations in the normal course of business.

FINANCIAL HIGHLIGHTS

The following table sets out selected IFRS financial information and other data of the Company and should be read in conjunction with the unaudited condensed interim financial statements of the Company for the 13 and 26 weeks ended June 29, 2013.

	13 weeks	s ended	26 weeks ended		
(in thousands of Canadian dollars, except number of cafés and per share amounts)	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	
System sales of cafés ¹	\$47,688	\$47,382	\$94,642	\$94,483	
Number of cafés - end of period	362	356	362	356	
Same café sales ¹	(2.2%)	(1.5%)	(2.8%)	(0.5%)	
Total revenue	\$6,636	\$6,175	\$12,882	\$12,183	
Gross profit	5,680	5,446	10,959	10,778	
Operating expenses	3,828	3,383	8,080	7,173	
Impairment of trademarks	13,253	Φ2.062	13,253	Φ2.605	
Operating (loss) income before	(\$11,401)	\$2,063	(\$10,374)	\$3,605	
Depreciation & amortization of property and equipment and intangible assets	293	271	593	537	
(Gain) loss on disposal of property and equipment	(23)	2/1	(16)	(1)	
Impairment charges	13,253	_	13,253	7	
Income before interest, tax, depreciation, amortization, and	13,233		13,233	,	
impairment ("EBITDA") ¹	\$2,122	\$2,334	\$3,456	\$4,148	
(Loss) income before income taxes	(\$11,496)	\$1,920	(\$10,546)	\$3,346	
Income tax (recovery) expense	(1,344)	1,078	(1,082)	1,472	
Net (loss) income	(\$10,152)	\$842	(\$9,464)	\$1,874	
Basic and diluted (loss) earnings per share as reported	(\$1.03)	\$0.09	(\$0.96)	\$0.19	
Adjusted basic and diluted earnings per share ^{1,2}	\$0.13	\$0.09	\$0.20	\$0.19	
Total Assets	\$74,452	\$101,915	\$74,452	\$101,915	

¹ "System sales of cafés", "Same café sales", "EBITDA", and "adjusted earnings per share" are not recognized performance measures under IFRS and, accordingly, may not be comparable to similar computations as reported by other issuers.

SYSTEM SALES

Overview of System Sales

System sales comprise the gross revenue reported to Second Cup by franchisees of Second Cup cafés and by cafés owned by Second Cup. Sales are reported by franchisees to Second Cup on a weekly basis without audit or other form of independent assurance. Second Cup's substantiation of sales reported by its franchisees is through analytical and financial reviews performed by management, comparison to sales data on the Point of Sales System ("POS"), on-site visits, and analyses of raw materials purchased by the cafés as reported by authorized vendors.

² Adjusted earnings per share are adjusted for the non-cash, after-tax impairment charge.

Management's Discussion and Analysis

Increases in system sales result from the addition of new cafés and same café sales (as described below). The primary factors influencing the number of cafés added to the Second Cup café network include the availability and cost of high quality locations, competition from other specialty coffee retailers and other businesses for prime locations, and the availability of qualified franchisees.

System sales are also affected by the permanent closure of Second Cup cafés. Cafés are closed when they cease to be viable or, occasionally, when a renewal of a lease for a particular location is not available or when an alternative, more preferable location is available.

Analysis of System Sales and Same Café Sales

System sales for the 13 weeks ended June 29, 2013 were \$47,688 compared to \$47,382 for the 13 weeks ended June 30, 2012, representing an increase of \$306 or 0.6%. System sales for the 26 weeks ended June 29, 2013 were \$94,642 compared to \$94,483 for the 26 weeks ended June 30, 2012, representing an increase of \$159 or 0.2%. The total number of cafés at the end of the Quarter was 362 compared to 356 cafés at the end of the second quarter of 2012, an increase of six cafés.

Same café sales represents the percentage change, on average, in retail sales at cafés (franchised and Company-operated) operating system-wide that have been open for more than 12 months. It is one of the key metrics the Company uses to assess its performance and provides a useful comparison between quarters. The two principal factors that affect same café sales are changes in customer traffic and changes in average sale. These factors are dependent upon existing cafés maintaining operational excellence within each Second Cup café, general market conditions, pricing, and marketing programs undertaken by Second Cup.

During the Quarter, Second Cup continued to be impacted by competitive activity resulting in a same café sales decline of 2.2%, compared to a decline of 1.5% in the comparable Quarter of 2012. On a Year to Date basis there was a decline of 2.8% compared to a decline of 0.5% in the comparable Year to Date period of 2012.

Management is not aware of any reliable third party comparable data on the trends affecting the Canadian specialty coffee market or the performance of Second Cup's competitors in the Canadian specialty coffee market during the year.

Launch of the Loyalty Program in the Calgary Market

On June 3, 2013, Second Cup launched its new loyalty program in a pilot phase in the Calgary region. The program integrates gift card useability with the ability to earn loyalty based points in the marketed form of "beans". Once a threshold of beans are earned, the current program allows customers to redeem their beans balance towards a complementary beverage. Thirty-one cafés participed in the launch of the loyalty program pilot. The results to date of the intial launch of the pilot have been positive and management will continue to evaluate results and timing of a national roll-out.

Management's Discussion and Analysis

Seasonality of System Sales

The following table shows the percentage of annual system sales achieved, on average, in each fiscal reporting quarter over the last three fiscal years:

% of Annual System Sales	2010	2011	2012	Average
First quarter	23.8	23.5	24.2	23.8
Second quarter	24.4	24.4	24.4	24.4
Third quarter	24.0	24.0	23.9	24.0
Fourth quarter	27.8	28.1	27.5	27.8
	100.0	100.0	100.0	100.0

Historically, revenue has been higher in the fourth quarter, which includes the holiday sales periods of November and December. Because of this seasonality, the results for any quarter are not necessarily indicative of what may be achieved for any other quarter or for the full fiscal year.

CAFÉ NETWORK

	13 weeks	ended	26 weeks ended		
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	
Number of cafés - beginning of period Cafés opened Cafés closed	361 4 (3)	355 5 (4)	360 8 (6)	359 7 (10)	
Number of cafés - end of period	362	356	362	356	
Number of cafés renovated	6	3	9	7	

INCOME, OPERATING EXPENSES AND NET INCOME

Second Quarter

Analysis of Revenues

Total revenues for the Quarter were \$6,636 (2012 - \$6,175) and consisted of royalty revenue, revenue from sale of goods, and services revenue.

Royalty revenue for the Quarter was \$3,519 (2012 - \$3,700). The reduction in royalty revenue of \$181 was mainly due to the reduction in the effective royalty rate (excluding sales from Company-operated cafés) from 8.0% in 2012 to 7.6% in the Quarter. This was partially a result of café specific arrangements in place during the period that lowered the effective royalty rate. In addition, new cafés that opened in 2011 through 2013 to date pay a royalty rate of 3% in the first year, a rate of 6% in the second year and, thereafter, a rate of 9%.

Revenue from the sale of goods, which consists of revenue from Company-operated cafés was \$1,328, (2012 - \$966) for the Quarter. The increase in revenue from the sale of goods was mainly due to ten Company-operated cafés in the Quarter compared to seven in 2012.

Management's Discussion and Analysis

Services revenue for the Quarter was \$1,789 (2012 - \$1,509). Services revenue includes initial franchise fees, renewal fees, transfer fees earned on the sale of cafés from one franchise partner to another, construction administration fees, product licensing revenue, purchasing coordination fees and other ancillary fees (IT support, tuition and construction black line drawings). The \$280 increase in services revenue was partially a result of the new partnership with Kraft Canada Inc. to produce, market and sell Second Cup signature blend coffees and lattes across Canada using the TASSIMO T-Disc on-demand beverage system. The remainder of the increase is mainly due to an increase of purchasing coordination fees and transfer fees.

Cost of Goods Sold

Cost of goods sold represents the product cost of goods sold in corporate cafés plus the cost of direct labour to prepare and deliver the goods to the customers in the cafés. Cost of goods sold as a percentage of revenue from the sale of goods in the Quarter was 72% (2012 - 75%). The difference is due to menu price increases at cafés and decreases pertaining to product purchase costs.

Operating Expenses

Operating expenses include the head office expenses of Second Cup and the overhead expenses of Company-operated cafés. Total operating expenses for the Quarter were \$3,828 (2012 - \$3,383), an increase of \$445.

Head Office Operating Expenses

Head office expenses of Second Cup increased by \$329 (10.7%) in the Quarter to \$3,394 from \$3,065 in 2012. Comparatively, the major expenses for the Quarter were salaries, wages, benefits and incentives \$1,667 (2012 - \$1,250), occupancy and lease costs \$235 (2012 - \$99), travel and franchise partner meetings \$189 (2012 - \$439), research and innovation \$128 (2012 - \$221), head office overheads \$265 (2012 - \$239), professional fees \$111 (2012 - \$128), depreciation of property and equipment \$135 (2012 - \$122), amortization of intangible assets \$120 (2012 - \$112), advertising and franchise development \$118 (2012 - \$55), legal costs \$111 (2012 - \$158), obsolete inventory \$263 (2012 - \$128), and bad debt expense \$52 (2012 - \$114). Notable changes in operating expenses are explained in the table below.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Salaries, wages, benefits and incentives	Increase of \$417	Increase in severance costs and impact of a reduction of the 2012 incentive plan costs.
Occupancy and lease costs	Increase of \$136	Increase in vacant properties and rent in arrears of franchise partners where Second Cup is on the head lease.
Obsolete inventory	Increase of \$135	Increase of slow moving product.
Travel and franchise partner meetings	Decrease of \$250	2013 annual franchise partner convention was held in the first quarter versus the second quarter in 2012.
Research and innovation	Decrease of \$93	Expenditure on test concepts and initiatives mostly due to consulting costs of the loyalty program during 2012 that was lower in the second Quarter 2013.
Bad debt expense	Decrease of \$62	Recovery of amounts previously provided for due to collection.
Legal costs	Decrease of \$47	Reduction in leasing activity, general matters and litigation costs.

Management's Discussion and Analysis

Corporate Café Operating Expenses

The overhead expenses in Company-operated cafés for the Quarter increased by \$116 to \$434 from \$318 in 2012. The increase in café operating expenses was mainly due to ten Company-operated cafés in the Quarter compared to seven in 2012. Comparatively, the expenses for the Quarter were lease costs of \$287 (2012 - \$186), other operating expenses \$93 (2012 - \$65), depreciation of property and equipment \$37 (2012 - \$37), advertising and local marketing \$40 (2012 - \$30), and a gain on disposal of property and equipment \$23 (2012 - \$0).

Impairment of Trademarks

The Company identified impairment indicators which were primarily a result of the decline in its stock price and decline in sales in comparison to internal projections. The impairment test is based on management's expectations of future cash flows and incorporates an element of risk in meeting those expectations. As a result of the impairment test, the Company recognized an impairment charge of \$13,253 in the Quarter. The after-tax impact of this impairment charge was \$11,497 and reduced earnings per share by \$1.16 for the Quarter. The impairment charge has no impact on the Company's liquidity, cash flow, borrowing capability or operations.

Other Income and Expenses

The Company incurred interest expense of \$113 (2012 - \$181) on the term loan and interest rate swap, and \$5 (2012 - \$20) in amortization of deferred financing charges relating to the term loan. The Company also recorded non-cash gain of \$1 (2012 - \$41) for the movement in the fair value of the interest rate swap, that expired on April 1, 2013, that fixed the interest rate on the Company's term loan. The Company earned other interest income of \$22 (2012 - \$17) primarily due to interest earned from short-term, highly liquid bank investments with original maturities of three months or less.

Income Taxes

Current income taxes of \$415 (2012 - \$422) and deferred income taxes of \$1,759 - recovery (2012 - \$656 expense) were recorded in the Quarter. The income tax recovery pertaining to deferred income taxes was driven by the impairment charge recorded in the Quarter.

EBITDA

EBITDA for the Quarter was \$2,122 (2012 - \$2,334). The decrease of \$212 in EBITDA was primarily due to an increase in operating expenses (excluding amortization, loss on disposal of property and equipment and impairment charge) as discussed above.

Net (Loss) Income

The Company's net loss for the Quarter was \$10,152 or \$1.03 loss per share, compared to net income of \$842 or \$0.09 earnings per share in 2012. The decline in net income of \$10,994 or \$1.12 per share was mainly due to the non-cash impairment charge.

A reconciliation of net (loss) income to EBITDA is provided in a table below.

Year to Date

Analysis of Revenues

Total revenues for the Year to Date period were \$12,882 (2012 - \$12,183) and consisted of royalty revenue, revenue from sale of goods and services revenue.

Royalty revenue for the Year to Date period was \$7,016 (2012 - \$7,378). The reduction in royalty revenue of \$362 was mainly due to the reduction in the effective royalty rate (excluding sales from Company-operated

Management's Discussion and Analysis

cafés) from 8.0% in 2012 to 7.6% in the Year to Date period. This change was consistent with what was discussed above pertaining to the Quarter.

Revenue from the sale of goods, which consists of revenue from Company-operated cafés was \$2,617, (2012 - \$1,866) for the Year to Date period. The increase in revenue from the sale of goods was mainly due to ten Company-operated cafés compared to seven in 2012.

Services revenue for the Year to Date period was \$3,249 (2012 - \$2,939). The \$310 increase in services revenue was consistent with what was discussed above pertaining to the Quarter.

Cost of Goods Sold

Cost of goods sold represents the product cost of goods sold in corporate cafés plus the cost of direct labour to prepare and deliver the goods to the customers in the cafés. Cost of goods sold as a percentage of revenue from the sale of goods in the Year to Date period was 73% (2012 - 75%). The difference is due to menu price increases at cafés and decreases pertaining to product purchase costs.

Operating Expenses

Operating expenses include the head office expenses of Second Cup and the overhead expenses of Company-operated cafés. Total operating expenses for the Year to Date period were \$8,080 (2012 - \$7,173), an increase of \$907.

Head Office Operating Expenses

Head office expenses of Second Cup increased by \$638 (9.8%) in the Year to Date period to \$7,176 from \$6,538 in 2012. Comparatively, the major expenses for the Year to Date period were salaries, wages, benefits and incentives \$3,591 (2012 - \$3,376), occupancy and lease costs \$590 (2012 - \$331), travel and franchise partner meetings \$541 (2012 - \$636), research and innovation \$449 (2012 - \$221), head office overheads \$483 (2012 - \$476), professional fees \$287 (2012 - \$309), depreciation of property and equipment \$272 (2012 - \$245), amortization of intangible assets \$237 (2012 - \$220), advertising and franchise development \$253 (2012 - \$172), legal costs \$149 (2012 - \$245), obsolete inventory \$276 (2012 - \$128), and bad debt expense \$48 (2012 - \$179). Notable changes in operating expenses are explained in the table below.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Occupancy and lease costs	Increase of \$259	Increase in vacant properties and rent in arrears of franchise partners where Second Cup is on the head lease.
Research and innovation	Increase of \$228	Expenditure on test concepts and initiatives mostly due to consulting costs of the loyalty program and new café branding and design costs. Year to Date period change was largely driven by Quarter 1 spending.
Salaries, wages, benefits and incentives	Increase of \$215	Increase in severance costs and impact of a reduction of the 2012 incentive plan costs.
Obsolete inventory	Increase of \$148	Increase of slow moving product.
Bad debt expense	Decrease of \$131	Recovery of amounts previously provided for due to collection.
Legal costs	Decrease of \$96	Reduction in leasing activity, general matters and litigation costs.
Travel and franchise partner meetings	Decrease of \$95	Decrease of the cost of the 2013 annual franchise partner convention.

Management's Discussion and Analysis

Corporate Café Operating Expenses

The overhead expenses in Company-operated cafés for the Year to Date period increased by \$269 to \$904 from \$635 in 2012. Comparatively, the expenses for the Year to Date period were lease costs of \$575 (2012 - \$366), other operating expenses \$182 (2012 - \$133), depreciation of property and equipment \$83 (2012 - \$72), advertising and local marketing \$80 (2012 - \$58), and a gain on disposal of property and equipment \$16 (2012 - \$1). The increase in café operating expenses was mainly due to ten Company-operated cafés in the Quarter compared to seven in 2012.

Impairment of Trademarks

As discussed above, the Company recognized an impairment charge of \$13,253.

Other Income and Expenses

The Company incurred interest expense of \$276 (2012 - \$366) on the term loan and derivative interest rate swap, and \$27 (2012 - \$38) in amortization of deferred financing charges relating to the term loan. The Company also recorded non-cash gain of \$96 (2012 - \$106) for the movement in the fair value of the derivative interest rate swap that fixed the interest rate on the Company's term loan. The Company earned other interest income of \$35 (2012 - \$39) primarily due to interest earned from short-term, highly liquid bank investments with original maturities of three months or less.

Income Taxes

Current income taxes of \$637 (2012 - \$773) and deferred income taxes of \$1,719 - recovery (2012 - \$699 expense) were recorded in the Year to Date period. The income tax recovery pertaining to deferred income taxes was driven by the impairment charge recorded in the Year to Date period.

EBITDA

EBITDA for the Year to Date period was \$3,456 (2012 - \$4,148). The decrease in EBITDA of \$692 was primarily due to an increase in operating expenses (excluding amortization, loss on disposal of property and equipment and impairment) as discussed above.

Net (Loss) Income

The Company's net loss for the Year to Date period ended was \$9,464 or \$0.96 loss per share, compared to net income of \$1,874 or \$0.19 earnings per share in 2012. The decline in net income of \$11,338 or \$1.15 per share was mainly due to the non-cash impairment charge.

Reconciliation of Net (Loss) Income to EBITDA

		13 weeks ended			26 weeks ended		
		June 29, 2013		June 30, 2012	June 29, 2013		June 30, 2012
Net (loss) income	\$	(10,152)	\$	842	\$ (9,464)	\$	1,874
Net interest expense		95		143	172		259
Income taxes (recovery)		(1,344)		1,078	(1,082)		1,472
Depreciation of property and equipment		173		159	356		317
Amortization of intangible assets		120		112	237		220
Gain on disposal of property and equipment		(23)		-	(16)		(1)
Impairment charges	-	13,253		-	13,253		7
EBITDA	\$_	2,122	\$	2,334	\$ 3,456	\$	4,148

Management's Discussion and Analysis

Dividend

On July 31, 2013, the Board of Directors of Second Cup approved a quarterly dividend of \$0.085 per common share, payable on August 30, 2013 to shareholders of record at the close of business on August 16, 2013. The dividend will be considered an eligible dividend for income tax purposes.

The Company's dividend policy is to continue to pay a portion of earnings while retaining funds for organic growth initiatives. The determination to declare and make payable dividends from Second Cup is at the discretion of the Board of Directors of Second Cup and until declared payable Second Cup has no requirement to pay cash dividends to shareholders. Taking into account current economic conditions and their impact on the profitability of Second Cup, the Board of Directors will continually review the level of dividends paid by the Company and there can be no assurance that the dividend will remain at the current level.

SELECTED QUARTERLY INFORMATION

A discussion of the Company's previous interim results can be found in the Company's quarterly MD&A reports available at www.sedar.com.

System sales of cafés¹ \$47,688 \$46,954 \$53,515 \$46,389 Same café sales¹ (2.2%) (3.3%) (4.2%) (2.8%) Number of cafés at end of period 362 361 360 358 Total revenue \$6,636 \$6,246 \$7,785 \$6,378 Operating (loss) income for the period period requipment and equipment and intangible assets 293 300 324 306 (Gain) loss on disposal of property and equipment of property and equipment of property and equipment of property and equipment of goodwill and trademarks 293 300 324 306 Impairment of property and equipment of goodwill and trademarks 13.253 - 15.294 - EBITDA¹ \$2,122 \$1,334 \$3,027 \$1,468 Net (loss) income before income taxes (\$11,496) \$950 (\$13,116) \$1,017 Current income tax (recovery) (1,759) 40 (1,688) (4) expense 415 222 596 275 Net (loss) income for the period (\$10,152) \$688 (\$12,024) \$746 <th>(in thousands of Canadian dollars, except number of cafés and per share amounts)</th> <th>Q2 2013</th> <th>Q1 2013</th> <th>Q4 2012²</th> <th>Q3 2012</th>	(in thousands of Canadian dollars, except number of cafés and per share amounts)	Q2 2013	Q1 2013	Q4 2012 ²	Q3 2012
Same café sales¹ (2.2%) (3.3%) (4.2%) (2.8%) Number of cafés at end of period 362 361 360 358 Total revenue \$6,636 \$6,246 \$7,785 \$6,378 Operating (loss) income for the period and equipment and intangible assets (Gain) loss on disposal of property and equipment equipment of property and expense of the period of property and equipment of property and equipment of property and equipment of property and equipment of eafés at end of period of afés at end of period of afés at end of period of afés at end of period of property and equipment and intangible assets (Gain) loss on disposal of property and equipment of prop	System sales of cafés ¹	\$47,688	\$46,954	\$53,515	\$46,389
Number of cafés at end of period 362 361 360 358 Total revenue \$6,636 \$6,246 \$7,785 \$6,378 Operating (loss) income for the period Depreciation & Amortization of property and equipment and intangible assets (Gain) loss on disposal of property and equipment Impairment of property and equipment Impairment of property and equipment Impairment of goodwill and trademarks 293 300 324 306 Impairment of property and equipment Impairment of goodwill and trademarks (23) 7 42 29 Impairment of goodwill and trademarks 13,253 - 15,294 - EBITDA¹ \$2,122 \$1,334 \$3,027 \$1,468 Net (loss) income before income taxes (\$11,496) \$950 (\$13,116) \$1,017 Current income tax (recovery) (1,759) 40 (1,688) (4) vexpense 415 2222 596 273 Net (loss) income for the period (\$10,152) \$688 (\$12,024) \$746 Basic/diluted earnings (loss) per share Dividends declared per share (\$1.03) \$0,07 (\$1.21) \$0.08 System					
Depracting (loss) income for the period Depreciation & Amortization of property and equipment and intangible assets (Gain) loss on disposal of property and equipment C30 7 42 29 Impairment of property and equipment C30 7 42 29 Impairment of property and equipment C30 7 42 29 Impairment of goodwill and trademarks 13,253 - 15,294 - 15	Number of cafés at end of period				
Depreciation & Amortization of property and equipment and intangible assets (Cain) loss on disposal of property and equipment at (recovery) (Cain) loss on disposal of property and equipment (Cai	Total revenue	\$6,636	\$6,246	\$7,785	\$6,378
Anal equipment and intangible assets 293 300 324 306		(11,401)	1,027	(12,988)	1,133
Impairment of property and equipment 1	and equipment and intangible assets	293	300	324	306
Impairment of goodwill and trademarks 13,253 - 15,294 -		(23)	7	42	29
Section Sect		-	-	355	-
Net (loss) income before income taxes			-	15,294	-
Current income tax expense	EBITDA ¹	\$2,122	\$1,334	\$3,027	\$1,468
Deferred income tax (recovery) expense (1,759) 40 (1,688) (4)		(\$11,496)	\$950		\$1,017
Expense Net (loss) income for the period (\$10,152) \$688 (\$12,024) \$746		415	222		275
Net (loss) income for the period (\$10,152) \$688 (\$12,024) \$746	· •	(1,759)	40	(1,688)	(4)
Dividends declared per share \$0.085 \$0.085 \$0.085 \$0.085 \$0.15		(\$10,152)	\$688	(\$12,024)	\$746
Dividends declared per share \$0.085 \$0.085 \$0.085 \$0.085 \$0.15	Basic/diluted earnings (loss) per share	(\$1.03)	\$0.07	(\$1.21)	\$0.08
System sales of cafés¹ \$47,382 \$47,101 \$54,404 \$46,369 Same café sales¹ (1.5%) 0.4% 1.2% (0.1%) Number of cafés at end of period 356 355 359 359 Total revenue \$6,175 \$6,008 \$7,363 \$6,138 Operating income for the period Depreciation & Amortization of property and equipment and intangible assets (Gain) loss on disposal of property and equipment equipment 2,063 1,542 3,210 2,362 Impairment of property and equipment EBITDA¹ - (1) 20 9 Impairment of property and equipment EBITDA¹ - 7 130 - EBITDA¹ \$2,334 \$1,814 \$3,647 \$2,590 Net income before income taxes \$1,920 \$1,426 \$3,116 \$2,095 Current income tax expense 422 351 894 511 Deferred income tax (recovery) expense 656 43 (130) (68) Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share		\$0.085		\$0.085	\$0.15
Same café sales¹ (1.5%) 0.4% 1.2% (0.1%) Number of cafés at end of period 356 355 359 359 Total revenue \$6,175 \$6,008 \$7,363 \$6,138 Operating income for the period Depreciation & Amortization of property and equipment and intangible assets 271 266 287 219 (Gain) loss on disposal of property and equipment equipment of property and equipment EBITDA¹ - (1) 20 9 Impairment of property and equipment EBITDA¹ \$2,334 \$1,814 \$3,647 \$2,590 Net income before income taxes Current income tax expense Poferred income tax (recovery) expense \$1,426 \$3,116 \$2,095 Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17		Q2 2012	Q1 2012	Q4 2011 ²	Q3 2011
Same café sales¹ (1.5%) 0.4% 1.2% (0.1%) Number of cafés at end of period 356 355 359 359 Total revenue \$6,175 \$6,008 \$7,363 \$6,138 Operating income for the period Depreciation & Amortization of property and equipment and intangible assets 271 266 287 219 (Gain) loss on disposal of property and equipment equipment of property and equipment EBITDA¹ - (1) 20 9 Impairment of property and equipment EBITDA¹ \$2,334 \$1,814 \$3,647 \$2,590 Net income before income taxes Current income tax expense Poferred income tax (recovery) expense \$1,426 \$3,116 \$2,095 Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17	System sales of cafés ¹	\$47,382	\$47,101	\$54,404	\$46,369
Total revenue \$6,175 \$6,008 \$7,363 \$6,138 Operating income for the period 2,063 1,542 3,210 2,362 Depreciation & Amortization of property and equipment and intangible assets (Gain) loss on disposal of property and equipment 271 266 287 219 Impairment of property and equipment eBITDA ¹ - (1) 20 9 Impairment of property and equipment eBITDA ¹ - 7 130 - EBITDA ¹ \$2,334 \$1,814 \$3,647 \$2,590 Net income before income taxes Current income tax expense 422 351 894 511 Deferred income tax (recovery) expense 656 43 (130) (68) Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17	Same café sales ¹	(1.5%)	0.4%	1.2%	(0.1%)
Operating income for the period Depreciation & Amortization of property and equipment and intangible assets (Gain) loss on disposal of property and equipment 2,063 1,542 3,210 2,362 (Gain) loss on disposal of property and equipment of property and equipment 271 266 287 219 Impairment of property and equipment EBITDA¹ - (1) 20 9 Impairment of property and equipment EBITDA¹ - 7 130 - EVALUATE SEARCH STAND	Number of cafés at end of period	356	355	359	359
Depreciation & Amortization of property and equipment and intangible assets 271 266 287 219	Total revenue	\$6,175	\$6,008	\$7,363	\$6,138
And equipment and intangible assets 271 266 287 219		2,063	1,542	3,210	2,362
equipment - (1) 20 9 Impairment of property and equipment - 7 130 - EBITDA ¹ \$2,334 \$1,814 \$3,647 \$2,590 Net income before income taxes \$1,920 \$1,426 \$3,116 \$2,095 Current income tax expense 422 351 894 511 Deferred income tax (recovery) 656 43 (130) (68) expense \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17	and equipment and intangible assets	271	266	287	219
Impairment of property and equipment - 7 130 -		_	(1)	20	Q
EBITDA ¹ \$2,334 \$1,814 \$3,647 \$2,590 Net income before income taxes \$1,920 \$1,426 \$3,116 \$2,095 Current income tax expense 422 351 894 511 Deferred income tax (recovery) 656 43 (130) (68) expense \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17		_	7		-
Current income tax expense 422 351 894 511 Deferred income tax (recovery) expense 656 43 (130) (68) Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17		\$2,334	\$1,814		\$2,590
Current income tax expense 422 351 894 511 Deferred income tax (recovery) expense 656 43 (130) (68) Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17	Net income before income taxes	\$1 920	\$1 426	\$3 116	\$2,095
Deferred income tax (recovery) expense 656 43 (130) (68) Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17					
Net income for the period \$842 \$1,032 \$2,352 \$1,652 Basic/diluted earnings per share \$0.09 \$0.10 \$0.23 \$0.17	Deferred income tax (recovery)				
		\$842	\$1,032	\$2,352	\$1,652
	Basic/diluted earnings per share	\$0.09	\$0.10	\$0.23	\$0.17
TAINING TO A TOTAL OF THE MILE TO THE MILE		ψυ.υ	Ψυ.ιυ	Ψ0.23	Ψ0.1 /

[&]quot;System sales of cafés", "Same café sales" and "EBITDA" are not recognized performance measures under IFRS and, accordingly, may not be comparable to similar computations as reported by other issuers.

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² The Company's fourth quarter system sales are higher than other quarters due to the seasonality of the business (see "Seasonality of System Sales" above).

LIQUIDITY AND CAPITAL RESOURCES

Second Cup collects royalties based on franchise partner system sales, franchise fees and other amounts from its franchise partners and also generates revenues from its Company-operated cafés. The performance of Second Cup franchise partners and Company-operated cafés could impact the ability of the Company to declare and pay dividends to its shareholders. For a more detailed discussion of the risks and uncertainties affecting the Company's liquidity, see "Risks and Uncertainties" below.

Summary of Cash Flows

	13 week	s ended	26 weeks ended		
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012	
Cash flows provided by operating activities Cash flows (used in) investing activities	\$3,237 406	\$2,342 (224)	\$4,276 (96)	\$1,576 (388)	
Cash flows (used in) financing activities	(842)	(1,532)	(1,684)	(3,038)	
Increase (decrease) in cash and cash equivalents during the period	\$2,801	\$586	\$2,496	(\$1,850)	

Second Quarter

Cash generated by operating activities was \$3,237 for the Quarter compared to \$2,342 for the same quarter last year. The favourable difference is primarily attributable to the timing of payment of income tax instalments and rent costs.

During the Quarter, cash generated in investing activities was \$406 compared to cash used of \$224 for the same quarter last year. The Company purchased \$304 (2012 - \$494) of property and equipment primarily for the acquisition of a Company-operated café in 2013 in addition to equipment for other corporate cafés and head office, and \$117 (2012 - \$39) towards software primarily for point of sale ("POS") systems. The Company received proceeds of \$817 (2012 - \$170) on the disposal of property and equipment related to the sale of corporate cafés to a franchise partner. The Company received proceeds of \$10 (2012 - \$5) on the repayment of leases and notes receivable.

The change in financing activities is largely explained with the cash usage of \$842 (2012 - \$1,485) pertaining to dividends paid to shareholders. The dividends were reduced to re-invest in long-term strategic growth initiatives such as the loyalty program and new café design.

Year to Date

Cash generated by operating activities was \$4,276 for the Year to Date period compared to \$1,576 for the same period last year. The difference is attributable to the timing of payment of income tax instalments and rent costs, as well as favourable changes in non-cash working capital items.

During the Year to Date period, cash used in investing activities was \$96 compared to cash used of \$388 for the same period last year. The Company purchased \$800 (2012 - \$616) of property and equipment primarily for the acquisition of Company-operated cafés in 2013 in addition to equipment for other corporate cafés and head office, and \$142 (2012 - \$128) towards software primarily for POS systems. The Company received proceeds of \$822 (2012 - \$195) on the disposal of property and equipment related to the sale of corporate cafés to franchise partners. The Company received proceeds of \$21 (2012 - \$9) on the repayment of leases and notes receivable.

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Management's Discussion and Analysis

The change in financing activities is largely explained with the cash usage of \$1,684 (2012 - \$3,038) pertaining to dividends paid to shareholders. The dividends were reduced to re-invest in long-term strategic growth initiatives such as the loyalty program and new café design.

Working Capital as at

	June 29, 2013	Dec. 29, 2012
Current assets	\$9,094	\$9,593
Current liabilities	9,443	10,649
Working capital deficiency	(\$349)	(\$1,056)

The Company has a working capital deficiency of \$349 as of June 29, 2013, an improvement of \$707 from December 29, 2012. Second Cup has a gift card program that allows customers to prepay for future purchases by reloading a dollar value onto their gift cards. Current liabilities include \$3,709 (December 29, 2012 - \$4,560) gift card liability. The gift cards do not have an expiration date. The Company will honour all Second Cup gift cards presented for payment, but may recognize breakage based on historical redemption patterns. Gift card holders are not entitled to any interest, dividends or returns on prepaid amounts and the Company does not charge a service fee. The gift card program continues to provide a source of working capital.

The Company had cash and cash equivalents of \$6,376 at June 29, 2013 (December 29, 2012 - \$3,880). The Company continues to believe it has sufficient financial resources to pay future dividends and operating expenses when declared and due.

Term Loan, Operating Credit Facility and Interest Rate Swap

On June 12, 2012, the Company renegotiated its term loan and operating credit facilities, including an extension of the maturity of the credit facilities, to May 31, 2015 and a decrease in interest rates. The revised credit facilities comprise an \$11,000 non-revolving term credit facility, fully drawn, and an undrawn \$2,000 revolving operating credit facility. The term credit facilities are collateralized by substantially all the assets of the Company.

The \$11,000 non-revolving term credit facility bears interest at the bankers' acceptance rate plus 2.75%. As at June 29, 2013, the full amount of the \$11,000 non-revolving term credit facility was drawn.

The \$2,000 operating credit facility bears interest at the bankers' acceptance rate plus 2.75%. As at June 29, 2013, no advances had been drawn on this facility.

The Company had an interest rate swap agreement with a notional value of \$11,000 that matured on April 1, 2013, which fixed the interest rate on the Company's non-revolving term credit facility at 3.04% per annum plus the margin noted above, which results in a fixed effective interest rate of 5.79%. As at June 29, 2013, the swap agreement expired. As at December 29, 2012, the balance of \$96 was recorded as a liability. The fair value movement of the interest rate swap has been recorded as a non-cash credit to income.

Pursuant to the terms of the Company's operating credit facility and term loan, the Company is subject to certain financial and other customary covenants, including requirements to maintain a ratio of senior debt to EBITDA and to maintain a trailing four-quarter fixed charge coverage ratio. During the period ended June 29, 2013, the Company was in compliance with all financial and other covenants of the Company's operating credit facility and term loan.

Management's Discussion and Analysis

In accordance with IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), the term loan is presented net of transaction costs. Transaction costs are amortized to the Unaudited Condensed Interim Statements of Income and Comprehensive Income using the effective interest method.

OFF-BALANCE SHEET ARRANGEMENTS

Second Cup has lease commitments for Company-operated cafés and also acts as the head tenant on leases, which it in turn subleases to franchise partners. The Company's lease commitments at June 29, 2013 are as follows:

	c	Headlease commitments	Sublease to franchisees	Net
June 29, 2014	\$	19,645	\$ 18,135 \$	1,510
June 29, 2015		18,432	17,166	1,266
June 29, 2016		16,536	15,337	1,199
June 29, 2017		14,535	13,355	1,180
June 29, 2018		12,380	11,294	1,086
Thereafter		34,600	 30,656	3,944
	\$	116,128	\$ 105,943 \$	10,185

The Company believes it will have sufficient resources to meet the net commitment of \$10,185.

Total occupancy and lease costs expensed in the year are as follows:

		13 weeks ended				26 weeks ended		
		June 29, 2013		June 30, 2012		June 29, 2013		June 30, 2012
Company head office and franchise café locations	\$	235	\$	99	\$	590	\$	331
Company-operated cafés	_	287	_	186	_	575	-	366
	\$ _	522	\$	285	\$_	1,165	\$	697

Second Cup is involved in litigation and other claims arising in the normal course of business. Management must use its judgement to determine whether or not a claim has any merit, the amount of the claim and whether to record a provision, which is dependent on the potential success of the claim. Second Cup believes that it will not incur any significant loss or expense with such claims. However, there can be no assurance that unforeseen circumstances will not result in significant costs. The outcome of these actions is not determinable at this time and adjustments, if any, will be recorded in the period of settlement.

The Coffee "C" contract is the world benchmark for Arabica coffee. The contract prices physical delivery of exchange grade green beans from one of 19 countries of origin in a licensed warehouse to one of several ports in the U.S. and Europe, with stated premiums / discounts. Second Cup sources high altitude Arabica coffee which tends to trade at a premium above the "C" coffee commodity price. Second Cup has contracts with third party companies to purchase the coffee that is sold in all Second Cup cafés. In terms of these supply agreements, Second Cup has guaranteed a minimum volume of coffee purchases amounting to \$6,280 (December 29, 2012 - \$4,421). The coffee purchase commitment represents purchase commitments made up

Management's Discussion and Analysis

to the end of May 2014. The coffee purchase commitment is comprised of three components: unapplied futures commitment contracts, fixed price physical contracts and flat price physical contracts.

Second Cup has entered into a marketing agreement with a third party through 2014 and has committed to spend \$200 per year on advertising placed in various media offered by the third party over the term of the agreement.

Second Cup is the primary coordinator of café construction costs on behalf its franchise partners and for corporate cafés. As at June 29, 2013, there is \$1,728 of contractual commitments pertaining to construction costs for new locations and renovations. The Company finances construction costs for franchise projects from deposits received from franchise partners and corporate projects from the Company's cash flows.

MANAGEMENT OF CAPITAL

For a detailed summary of management of capital, refer to those noted in the Company's MD&A for the year-ended December 29, 2012 and the Company's most recent audited financial statements, available at www.secar.com and www.secondcup.com.

There were no changes in the Company's approach to capital management during the Quarter.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Multilateral Instrument 52-109 ("MI 52-109") requires the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to make certain certifications related to the information contained in the Company's annual filings. Specifically, the CEO and CFO must acknowledge that they are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("ICFR") for the Company. The control framework used by the CEO and CFO to design the Company's ICFR is Internal Control Over Financial Reporting - Guidance for Smaller Public Companies as issued by COSO. In addition, in respect of:

(a) Disclosure Controls and Procedures

The CEO and CFO must certify that they have designed the disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required under securities legislation is recorded, processed, summarized and reported in a timely manner.

As at June 29, 2013, the Company's management, under the supervision of, and with the participation of, the CEO and interim CFO, evaluated the design of the disclosure controls and procedures. Based on this evaluation, the CEO and interim CFO have concluded that, as at June 29, 2013, the Company's disclosure controls and procedures were appropriately designed.

During the last week of the second quarter of 2013, the Company appointed a new interim CFO. The Company also hired a new Director of Finance earlier in the quarter. Given the experiences of both the interim CFO and the Director of Finance, as well as the continuity of the rest of the senior leadership team, we believe that the transition was effective and had no impact on the disclosure controls and procedures.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's

Management's Discussion and Analysis

disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

During the 13 weeks ended June 29, 2013 and up to the date of the approval of the financial statements and MD&A, there has been no change that has materially affected, or is reasonably likely to materially affect the Company's disclosure controls and procedures.

(b) Internal Controls Over Financial Reporting

The CEO and CFO must certify that they have designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at June 29, 2013, the Company's management, under the supervision of, and with the participation of, the CEO and interim CFO, evaluated the design of the controls over financial reporting. No material weaknesses in the design of these controls over financial reporting were identified. Based on this evaluation, the CEO and interim CFO have concluded that, as at June 29, 2013, the Company's controls over financial reporting were appropriately designed and are operating effectively.

During the last week of the second quarter of 2013, the Company appointed a new interim CFO. The Company also hired a new Director of Finance earlier in the quarter. Given the experiences of both the interim CFO and the Director of Finance, as well as the continuity of the rest of the senior leadership team, we believe that the transition was effective and had no impact on the internal controls over financial reporting.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

During the 13 weeks ended June 29, 2013 and up to the date of the approval of the financial statements and MD&A, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

For a detailed summary of critical accounting estimates, refer to those noted in the Company's MD&A for the year-ended December 29, 2012 and the Company's most recent audited financial statements, available at www.secar.com and www.secondcup.com.

RISKS AND UNCERTAINTIES

For a detailed summary of risks and uncertainties, refer to those noted in the Company's MD&A for the year-ended December 29, 2012 and the Company's most recent audited financial statements, available at www.sedar.com and www.secondcup.com.

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OUTLOOK

The information contained in this "Outlook" contains forward-looking statements. Please see "Forward-Looking Statements" below for a discussion of the risks and uncertainties in connection with forward-looking statements.

The Second Cup business continues to operate in a competitive marketplace and a challenging consumer environment. In 2013, management continues to invest in the business, including a loyalty program which is being tested in 31 cafés, with positive initial results. In addition, the prototype of the new look café opened in July, elements of which are expected to be rolled out immediately to new cafés and existing cafés when renovated. As well, a coffee revitalization program, including the expansion of the TASSIMO T-Disc line, will be in market this fall.

Commencing in July 2013, the Company began a phased transition to a new distributor to supply products to cafés. The change to a new distributor was driven due to favourable operational capabilities. The Company does not believe the changeover will have a material impact on operations nor financial results.

Second Cup will continue to improve the café network with the opening of cafés while closing below average performing cafés.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may constitute forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include words such as "may", "will", "should", "expect", "anticipate", "believe", "plan", "intend" and other similar words. These statements reflect current expectations regarding future events and financial performance and speak only as of the date of this MD&A. It should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not those results will be achieved. Forward-looking statements are based on a number of assumptions and are subject to known and unknown risks, uncertainties and other factors, many of which are beyond Second Cup's control that may cause Second Cup's actual results, performance or achievements, or those of Second Cup cafés, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following are some of the factors that could cause actual results to differ materially from those expressed in the underlying forward-looking statements: competition; availability of premium quality coffee beans; the ability to attract qualified franchise partners; the location of Second Cup cafés; the closure of Second Cup cafés; loss of key personnel; compliance with government regulations; potential litigation; the ability to exploit and protect the Second Cup trademarks; changing consumer preferences and discretionary spending patterns including, but not restricted to, the impact of weather and economic conditions on such patterns; reporting of system sales by franchise partners; and the financial performance and financial condition of Second Cup. The foregoing list of factors is not exhaustive, and investors should refer to the risks described under "Risks and Uncertainties" above and in Second Cup's Annual Information Form, which is available at www.sedar.com.

Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking statements and, as a result, the forward-looking statements may prove to be incorrect.

As these forward-looking statements are made as of the date of this MD&A, Second Cup does not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in the

Management's Discussion and Analysis

Company's filings with securities regulators. These filings are also available on the Company's website at www.secondcup.com.