SPoT COFFEE (CANADA) LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For The Quarter Ended June 30, 2015

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand SPoT Coffee (Canada) Ltd's operations, financial performance, and the present and future business environment. This MD&A, which has been prepared as of August 26, 2015, should be read in conjunction with SPoT's consolidated financial statements for the three and six months ended June 30, 2015.

References to "SPoT" or "the Company" refer to SPoT Coffee (Canada) Ltd. and its share of consolidated subsidiaries and joint ventures, unless the context indicates otherwise. All amounts are in Canadian dollars, unless otherwise indicated.

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This discussion contains statements about SPoT's future financial condition, results of operations and business.

All statements in this MD&A, other than statements of historical fact, that address future acquisitions and events or developments that SPoT expects to occur, are forward-looking statements. Although SPoT believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include industry-related risks, regulatory approvals, and continued availability of capital and financing and general economic, market or business conditions. Specific factors that would impact the Company's ability to execute its growth plan include, amongst others, availability of expansionary capital, potential inability to locate and secure new café sites in locations that the Company believes to be attractive, obstacles to hiring and training qualified operating personnel in the local market, delay or cancelation of new site development by developers and landlords, which may become increasingly common during periods of economic uncertainty or tight credit, difficulty managing construction and development costs of new cafés at affordable levels, particularly in competitive markets, difficulty negotiating leases with acceptable terms, any shortage of construction materials and labor or lack of availability of, or inability to obtain, adequate supplies of ingredients that meet the Company's quality standards. Except as required by applicable securities requirements, the Company undertakes no obligation to update forward-looking statements if circumstances or management estimates or opinions should change, The reader is cautioned not to place undue reliance on forward-looking statements.

This MD&A contains the term "Earnings Before Interest, Taxes, Depreciation and Amortization" ("EBITDA"), which should not be considered as an alternative to, or more meaningful than, net earnings or cash flow from operating activities as determined in accordance with International Financial Reporting Standards ("IFRS"), as an indication of the Company's performance. This term does not have a standardized meaning prescribed by IFRS and SPoT's determination of EBITDA may not be comparable to that reported by other operating companies. Management uses EBITDA, among other measures, to assess the operating performance of the ongoing business without the effect of depreciation and amortization expenses. The Company excludes depreciation and amortization expenses, accruals, and other one-time, non-recurring expenses because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors.

SPoT Coffee

SPoT designs, builds, operates and franchises community-oriented cafés and Express Café locations in New York State. SPoT's cafés range in size from 2,000 square feet to 4,000 square feet and provide customers with high quality service, signature light meals, freshly baked goods and in-house micro-roasted gourmet coffee. The Company differentiates itself by designing each location to compliment the unique aspects of the local community, while providing a consistent and high quality made-to-order food program at attractive price points, and creating a café atmosphere which the community views as an extension of their homes.

Overview of the Business

Current Operations

At the corporate level, SPoT has become EBITDA positive, which it expects to maintain going forward. Cost savings have come from increased corporate efficiencies. SPoT expects increased revenue from new franchise sales and operations.

At the café level, SPoT new catering program continues to receive positive reception from customers. The Company's management have intensified their focus on certain initiatives, including the loyalty program, the new franchise program, and the introduction of new product lines. Additionally, in order to keep up with inflation, SPoT has increased prices on select café items for the first time in several years.

The Company continued to benefit from increasing economies of scale and ongoing operational synergies. The Company continued to employ cost cutting initiatives including improved vendor purchasing terms and inventory control systems. Corporate growth has, once again, furthered the Company's need to actively recruit café staff, highly qualified café management, operations personnel and senior management.

In addition to growth through the sale of franchise cafés, the Company also focused on growing its business in other ways. Development of a new commercial sales department has been completed. The Company remained focused on strategic awareness initiatives including community involvement, strengthening SPoT's social media presence and other forms of conventional media including radio, television and print advertisements. Additionally, the Company continued to look for auxiliary revenue streams.

Franchise Business Model

SPoT received franchise registration approval from the State of New York on February 27, 2015. The Company decided to adopt the franchise business model as it has completed the development of the necessary infrastructure upon which it can build a successful franchise program. This infrastructure includes, among other things, successful and streamlined café procedures, employee training manuals, operation manuals and reporting systems. This franchise program will accelerate the development of new cafés as well as build and grow the SPoT Coffee brand in the regional market of the State of N.Y. The Spot franchise model is designed around the distinguishing design and economic features of a Spot café that attribute to its successful operation.

Management is confident that the Company can duplicate this success throughout its franchise as well as among various communities and their neighbourhoods in Upstate N.Y.

The Company added SPoT Coffee Express, a quick service alternative to the Company's full scale cafés, to its line of franchise offerings. SPoT Coffee franchised cafés and Express locations will continue to leverage SPoT's existing geographic footprint in Western New York, expanding east across New York State as the company continues to partner with local builders to focus on prime real estate.

Sale of Hamburg Franchise

SPoT has signed an agreement for its first franchise cafe, which will be located in Hamburg, N.Y.

Spot Coffee Hamburg will be located in the heart of Hamburg's most active pedestrian community, Hamburg Village. It will be owned and operated by a family from the Hamburg community. Spot Coffee Hamburg will be featuring Spot's distinctive interior design, several seating options, a relaxed atmosphere and a patio. It will serve Spot's complete menu including its award-winning coffee, hand-crafted beverages, signature light meals and gourmet pizza. The Spot franchise agreement provides that Spot Coffee Hamburg will be opening for business in fourth quarter of 2015.

Franchise Location Negotiations

Spot Coffee is presently involved in continuing negotiations with several other serious potential franchisees from across New York State and continues to receive new applications from qualified parties. The company's franchise strategy to offer both Spot Coffee full cafe and Spot Coffee Express concepts have proven to be a good strategy considering the equal demand by prospective franchisees that the company has been witnessing for both concepts.

The company looks to accelerate awarding new franchises in New York State, with several more anticipated by the end of 2015 including the conversion of Spot Orchard Park from a cafe under licence to a franchise cafe.

Website Redesign

SPoT has completed its temporary transitional website which coincides with the establishment of its franchising and catering programs. The new website will focuses on ongoing customer engagement via social media, and revenue generation through a progressive catering order solution. SPoT has engaged an international creative media firm to assist with the development of the full ecommerce site. However, in order to keep costs reasonable during the development phase, the Company has been drawing on its own internal resources; personnel who have been responsible for maintaining SPoT’s existing marketing initiatives.

Enhanced Catering Program

This program offers SPoT’s best cup of coffee and its executive chef’s best selection of breakfast, lunch, dinner and dessert trays. To serve customers better and ensure that their needs are met, the enhanced catering program allows customers to customize their catering orders. The introduction of this program coupled with increased brand recognition will result in improved system-wide revenue in future fiscal periods.

Auxiliary Revenue

SPoT's distribution agreement with American Natural to supply its roasted premium gourmet coffee beans remains active. The Company is also in discussions to secure additional sales and distribution channels which would serve and retail SPoT coffee. Furthermore, the thorough redesign of the Company’s proprietary coffee packaging was completed and the new packaged coffee is currently available in all SPoT locations. The associated price adjustment has made SPoT's retail coffee more competitive with other providers of similar packaged gourmet coffee.

The Company continues to see upside through stronger demand caused by increased brand recognition of the Company's award-winning gourmet roasted coffee and proprietary coffee blends in both the wholesale and retail distribution channels. The Company has made investments to increase its existing coffee roasting facility located in Buffalo, New York, and will continue to invest in new coffee roasting facilities in line with the Company's growth plans. Outside of the Company's cafés, SPoT's coffee is currently sold to consumers through a regional grocery store chain in Western New York and to universities, businesses, convenience stores, and institutions through the Company's commercial account program. SPoT is increasing personnel and improving infrastructure to support further expansion in these areas.

SPoT introduced ATM machines at several of its locations. This serves as a convenience to SPoT customers and also generates additional revenue.

Restaurant Industry

SPoT Coffee Overview

The Company continues to benefit from an increasingly health-conscious consumer, through its diverse healthy menu options, and the friendly feel to its dining experience, which provides customers with a home-like atmosphere. Additionally, the Company has profited from the increasing popularity of the all-day breakfast, the diversity of its pizza and sandwich program, and the positive reception of its gourmet coffee and drinks program which allows each café to minimize slow periods and leverage their fixed costs. Though the restaurant industry as a whole has seen customers spend less on eating out over the past several years, the Company has retained its customer base and benefitted from individuals who are drawn to the quick and casual café format, where they can get a high quality made-to-order meal at an affordable price. Due to competition within the industry, the Company will continue to reduce expenditures by leveraging technology to lower labour costs and eliminate waste. The Company expects to outperform given its well-chosen locations and the uniqueness of each café, food quality and consistency, style and presentation, and healthy food options and menu variety combined with new products which are being integrated on a regular basis.

The Company has benefitted from stabilizing commodity prices including coffee, wheat and grains. After coffee, grains continue to be the second most sensitive input to food or beverage margins as they directly affect all protein items being purchased for the cafés. The Company's fixed operating expenses remain steady with attractive long-term lease rates and periods of free rent being offered in the US.

Industry and Input Overview

The volatility of revenue within the restaurant industry remains low and we continue to see significant growth in demand for healthy alternatives, a trend aided by higher household incomes. Additionally, the restaurant industry sees increased demand for all-day-breakfast products from consumers. After stagnant growth in coffee consumption for five decades due to increased caffeine alternatives such as soft drinks and energy drinks, the market is now growing. The overall North American population has seen increased consumption of coffee and espresso based drinks, led by the 25-39 year old demographic, which is increasing its consumption of coffee at the highest rate of any age group and is the most likely to order items at higher price points, such as specialty coffee. The Company believes the gourmet coffee segments on both the retail and wholesale distribution lines have the largest growth potential within all coffee growth subcategories.

Annual and Special Meeting of Shareholders

The Company's annual and special meeting of shareholders was held on June 19, 2015 and that all resolutions presented for consideration were approved by the shareholders, including the (re)election of the following individuals as directors of the Company: Anton Ayoub, John Lorenzo, Hassan Dahlawi, Raymond J. Stapell and Khaled Alhamdan.

Results of Operations

Overall Performance

For the three and six months ended June 30, 2015, the Company's gross profit (measured as revenue less cost of sales) increased by approximately 4% and 5% from the corresponding periods of 2014 to $1,617,358 and $2,940,525, respectively. The Company's gross margins (measured as gross profit over revenue) for the three and six months ended June 30, 2015 were 70% and 69% respectively.

The Company achieved positive Company-wide EBITDA for the three months ended June 30, 2015. The Company-wide EBITDA reflects centralized and fixed operating and head office costs, the employment of senior management and operating personnel at the head office level consistent with SPoT's overall development and future expansion. The Company had consolidated net loss of $274,423 and 763,214, respectively, for the three and six months ended June 30, 2015. The key drivers behind the net loss for the six months ended June 30, 2015 include a $298,673 non-cash depreciation expense, a $76,293 non-cash debenture accretion expense, and a $140,470 loan interest expense. SPoT remained focused on operational execution and expense control during the year of 2015 and believes the continued growth of the Company will offset investments made to centralize overhead costs.

Revenue

The Company's revenue for the three and six months ended June 30, 2015 amounted $2,317,721 and $4,271,380 compared to $2,354,923 and $4,164,229 in the corresponding periods of 2014, respectively.

Cost of Sales

The Company's cost of sales for the three and six months ended June 30, 2015 decreased to $700,363 and $1,330,855, compared to $804,367 and $1,363,669 in the corresponding periods of 2014, respectively. The cost of sales represents 30% and 31% of the total revenue for the three and six months ended June 30, 2015 respectively.

Operating Expenses

Salaries and wages increased to $1,029,500 and $2,014,447, respectively, for the three and six months ended June 30, 2015, compared to $990,148 and $1,879,629 in the corresponding periods in 2014. The increase is in line with the Company's overall growth.

Office and general expenses changed to $127,412 and $238,376, respectively, for the three and six months ended June 30, 2015, compared to $122,946 and $249,713 for the corresponding periods in 2014. It reflects the Company's marketing and promotional expenses at the corporate level as well as the supplies, maintenance, telephone and shipping expenses at the café level.

Professional and consulting fees decreased by 5% and 16% to $66,881 and $110,233, respectively, for the three and six months ended June 30, 2015, compared to $70,140 and $131,835 for the corresponding periods in 2014. The majority of fees relate to public communications, legal, accounting and audit advisory expenses associated with the Company's listing requirements, operations, franchise licensing registration and café development activities.

Occupancy costs decreased to $345,362 and $717,498, respectively, for the three and six months ended June 30, 2015, compared to $379,914 and $749,439for the corresponding periods in 2014.

Travel expenses decreased to $16,598 and $38,621, respectively, for the three and six months ended June 30, 2015, compared to $50,354 and $60,164 for the corresponding periods in 2014. The fees relate to business development and expansion in North America and Middle East.

Interest and bank charges increased to $156,346 and $285,891, respectively, for the three and six months ended June 30, 2015, compared to $127,974 and $266,981 for the corresponding periods in 2014. This increase was due to a higher volume in credit card transactions driven by the overall increase in sales and debenture interest and accretion expenses.

Depreciation costs decreased to $150,532 and $298,673, respectively, for the three and six months ended June 30, 2015, compared to $193,646 and $369,111 for the corresponding periods in 2014. Depreciation begins when the asset is available for use and capable of operating in the manner intended by management.

Liquidity and Capital Resources

Liquidity

On July 23, 2015, the Company closed its first tranche of non-brokered private placement for total proceeds of $375,000 at a price of $0.05 per unit. Each unit consists of one common share of SPoT and one half common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.075 for a period of four years from closing.

On July 23, 2015, the Company announced the grant of an aggregate of 1,209,994 common share options to certain directors, officers, employees and consultants of the Company, exercisable $0.05 per share vesting in 12 equal monthly installments beginning from the date of the grant. These options expire on the earlier of their fifth anniversary date or the time the optionees cease to serve as directors, officers, employees or consultants of the Company.

Long Term Debt and Other Long Term Commitments

There have been no changes to long-term debt or long-term commitments since December 31, 2014.

Off Balance Sheet Arrangements

As at June 30, 2015, SPoT had no off balance sheet arrangements, such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations, or any instruments that could trigger financing, market or credit risk to SPoT.

Transactions with Related Parties

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below.

The Company entered into the following compensation with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the actives of the Company, including directors and management.

	Six months ended June 30, 2015	Six months ended June 30, 2014
	$	$
Salaries and wages	175,860	175,811
Consulting fee	39,235	24,164
Share-based payments	-	105,046

The Company incurred the following transactions in connection with companies with common directors and officers of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

	June 30, 2015	December 31, 2014
	$	$
Accounts and other receivable	27,194	85,011
Accounts payables and accrued liabilities (Management salaries payable)	302,433	221,907

Included in accounts payables and accrued liabilities are office management and administrative costs to a company with common directors and officers of the Company.

Disclosure of Outstanding Share Data

As at August 26, 2015, the Company had 86,926,837 common shares issued and outstanding.

An additional 19,409,628 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Company's stock option plan, as well the exercise of the outstanding warrants. Accordingly, SPoT would have 106,336,465 shares outstanding on a fully diluted basis.

Critical Accounting Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed below.

Impairment

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets including property and equipment at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of Property and Equipment useful lives are provided in the consolidated financial statements for the quarter ended June 30, 2015.

Fair Value of Financial Instruments

The Company determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Share-based Payments

The Company measures the cost of equity-settled transactions with directors, officers and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for stock based compensation transactions are disclosed in the consolidated financial statements for the quarter ended June 30, 2015.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, loans receivable, bank indebtedness, accounts payable and accrued liabilities, advances from shareholders and long-term debt.

Management does not believe these financial instruments expose SPoT to any significant interest, liquidity, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments is as stated in the consolidated financial statements for the quarter ended June 30, 2015.

Summary of Quarterly Results

There were no dividends paid in the last eight quarters.

	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Revenue from operations	2,317,721	1,953,659	1,522,315	2,312,768	2,354,923	1,809,306	1,717,203	1,780,289
Cost of Sales	700,363	630,492	434,416	787,465	804,367	559,302	535,558	556,069
Net Income (Loss)	(274,423)	(488,791)	(2,891,437)	(422,602)	(443,641)	(634,215)	(511,553)	(412,352)
Total assets	2,922,414	3,077,212	3,012,869	5,119,051	5,171,812	6,156,068	5,598,243	5,627,992
Long-term Liabilities	3,009,607	2,969,567	2,906,366	2,797,159	2,729,002	2,669,756	2,602,576	2,761,021