SPOT COFFEE (CANADA) LTD.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(In Canadian Dollars)

SPOT COFFEE (CANADA) LTD.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMER 30, 2015 AND 2014

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NOTICE TO READER

The accompanying consolidated interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these consolidated financial statements.

Toronto, Canada

November 26, 2015

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	September 30, 2015	December 31, 2014
	$	$
Assets		
Current		
Cash	80,645	215,908
Accounts and other receivable (Note 18)	128,409	232,621
Inventories (Note 5)	138,593	103,584
Advances to related parties		8,533
Prepaids and sundry	151,243	143,407
	498,890	704,053
Property and equipment (Note 6)	2,402,949	2,308,816
	2,901,839	3,012,869
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 18)	1,288,633	1,547,563
Deferred revenue	9,995	75,508
Demand Grid Note (Note 8)	200,175	174,015
Secured Promissory Note (Note 9)	292,500	295,000
Current portion of finance lease (Note 10)	71,643	56,328
Current portion of long-term debt (Note 11)	716,865	1,767
	2,579,811	2,150,181
Finance Lease (Note 10)	32,939	58,366
Convertible Debenture (Note 12)	1,301,672	1,229,439
Long-term debt (Note 11)	655,515	1,324,101
Deferred lease inducement	359,461	294,460
	4,929,398	5,056,547
Shareholders' Equity		
Equity attributable to owners of the parent		
Share capital (Note 13)	9,352,953	9,063,328
Shares to be issued (Note 13)	225,000	-
Equity reserves		
Warrants (Note 15)	756,052	674,052
Contributed surplus (Note 16)	1,564,832	1,553,550
Equity portion of convertible debenture (Note 12)	112,650	112,650
Accumulated other comprehensive income	990,551	346,817
Deficit	(15,489,790)	(14,405,834)
	(2,487,752)	(2,655,437)
Non-controlling interests	460,193	611,759
	(2,027,559)	(2,043,678)
	2,901,839	3,012,869

Commitments and contingency (Notes 19 and 23)

ON BEHALF OF THE BOARD

Signed "Anton Ayoub", Director

Signed "John Lorenzo ", Director

SPOT COFFEE (CANADA) LTD.

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In Canadian Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Revenue	2,459,719	2,312,768	6,731,099	6,476,997
Cost of sales	735,603	787,465	2,066,458	2,151,134
Gross profit	1,724,116	1,525,303	4,664,641	4,325,863
Expenses				
Salaries and wages (Note 18)	1,053,373	1,019,003	3,067,820	2,898,632
Stock-based compensation (Note 18)	11,282	28,131	11,282	199,675
Occupancy costs	381,870	392,477	1,099,368	1,141,916
Interest and bank charges	167,856	144,208	453,747	411,189
Office and general	157,043	120,410	395,419	370,123
Professional fees	50,094	25,433	108,886	116,586
Consulting (Note 18)	40,978	14,319	92,419	74,483
Travel	28,636	20,021	67,257	60,703
Depreciation	156,400	183,903	455,073	553,014
	2,047,532	1,947,905	5,751,271	5,826,321
Loss before income taxes	(323,416)	(422,602)	(1,086,630)	(1,500,458)
Deferred tax recovery	-	-	-	-
Net loss for the period	(323,416)	(422,602)	(1,086,630)	(1,500,458)
Net loss attributable to:				
Owners of the parent	(326,103)	(415,960)	(1,083,956)	(1,465,489)
Non-controlling interests	2,687	(6,642)	(2,674)	(34,969)
Net loss for the period	(323,416)	(422,602)	(1,086,630)	(1,500,458)
Loss per share attributable to owners of the parent (Note 17) – basic and diluted	(0.004)	(0.005)	(0.013)	(0.018)
Weighted average number of shares outstanding	84,426,837	79,426,837	81,093,504	79,426,837

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(In Canadian Dollars)

	Equity Attributable to Owners of the Parent								
	Share Capital	Shares to be issued	Equity Reserve	Equity portion of Convertible Debenture	AOCI	Deficit	Total	Non-controlling interest	Total Equity
	$	$	$	$	$	$	$	$	$
Balance - December 31, 2013	9,063,328	-	2,030,007	112,650	192,907	(10,203,859)	1,195,033	431,839	1,626,872
Net loss						(1,465,489)	(1,465,489)	(34,969)	(1,500,458)
Warrants expired			(433,846)			433,846	-		-
Share-based payments			199,675				199,675		199,675
Contribution from non-controlling interest			-				-	131,185	131,185
Other comprehensive income					(178,046)		(178,046)		(178,046)
Balance - September 30, 2014	9,063,328	-	1,795,836	112,650	14,861	(11,235,502)	(248,827)	528,055	279,228

Balance - December 31, 2014	9,063,328	-	2,227,602	112,650	346,817	(14,405,834)	(2,655,437)	611,759	(2,043,678)
Net loss						(1,083,956)	(1,083,956)	(2,674)	(1,086,630)
Private Placement	375,000	225,000					600,000		600,000
Valuation of warrants	(82,000)		82,000				-		-
Share issue cost	(3,375)						(3,375)		(3,375)
Share-based payments			11,282				11,282		11,282
Non-controlling interest							-	(148,892)	(148,892)
Other comprehensive income					643,734		643,734		643,734
Balance - September 30, 2015	9,352,953	225,000	2,320,884	112,650	990,551	(15,489,790)	(2,487,752)	460,193	(2,027,559)

SPOT COFFEE (CANADA) LTD.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(In Canadian Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Operating activities				
Net loss for the period	(323,416)	(422,602)	(1,086,630)	(1,500,458)
Adjustments for:				
Depreciation	156,400	183,903	455,073	553,014
Accretion of convertible debenture	49,147	26,080	125,440	89,134
Rent inducement	29,530	33,517	65,001	69,349
Share-based payments	11,282	28,131	11,282	199,675
	(77,057)	(150,971)	(429,834)	(589,286)
Changes in non-cash working capital items				
Accounts and other receivable	95,711	67,163	104,212	230,746
Inventories	(11,170)	22,132	(35,009)	14,410
Prepaids and sundry	9,214	(16,931)	(7,836)	91,280
Accounts payable and accrued liabilities	(399,095)	122,043	(258,930)	506,495
Deferred revenue	(6,342)	(678)	(65,513)	(58,599)
	(311,682)	193,729	(263,076)	784,332
Total cash inflows (outflows) from operating activities	(388,739)	42,758	(692,910)	195,046
Investing activities				
Purchase of property and equipment	(28,899)	(85,078)	(133,178)	(828,746)
Cash received on Café exchange	-	-	-	-
Total cash inflows (outflows) from investing activities	(28,899)	(85,078)	(133,178)	(828,746)
Financing activities				
Proceeds from (repayment of) convertible debenture	-		-	-
Proceeds from Secured Promissory Note	(2,500)		(2,500)	297,500
(Repayment of) proceeds from long-term debt	(12,463)	(12,916)	(10,112)	(43,332)
Contribution from non-controlling interest	-	26,320	-	221,845
Issuance of capital stock	350,000	-	600,000	-
Share issue costs	(3,375)	-	(3,375)	-
Total cash inflows (outflows) from financing activities	331,662	13,404	584,013	476,013
Effect of exchange rate changes on cash and cash equivalents	138,270	(10,234)	147,694	5,479
Change in cash during the period	52,294	(39,150)	(94,381)	(152,208)
Cash, beginning of the period	28,351	111,815	175,026	224,873
Cash, end of the period	80,645	72,665	80,645	72,665

1. NATURE AND BASIS OF OPERATIONS

Spot Coffee (Canada) Ltd. ("SPoT" or the "Company") designs, builds and operates community-oriented cafés that provide its customers from every lifestyle and culture with the highest quality service, signature light meals and in-house roasted gourmet coffee. SPoT has been successfully operating company-owned cafés in Canada and the United States since 2004.

Each SPoT café is a popular, warm, friendly and home-like place that directly reflects the culture and history of its community. Currently there are eight SPoT cafés that range in size from 2,000 to in excess of 4,000 square feet, with locations in Buffalo, Williamsville, Rochester, Saratoga Springs, Orchard Park and Glens Falls in New York State.

The Company is incorporated under the *Business Corporations Act* (Ontario). The Company's shares are listed on the Toronto Venture Stock Exchange under the Symbol "SPP". The head office, principal address and records office of the Company are located at 141 Adelaide Street West, Suite 110, Toronto, Ontario, M5H 3L5.

The consolidated financial statements of the Company have been prepared by management on the assumption that the Company will continue as a going concern which presumes that it will be able to realize its assets and discharge its obligations in the normal course of business for the foreseeable future. However, material uncertainty related to conditions and events exist which may cast significant doubt on the Company's ability to continue as a going concern, which include current operating losses, working capital deficiencies and negative cash flows from operations. Management believes that the future success of the Company depends primarily upon its ability to raise future capital to develop a comprehensive business plan. While the Company is using its best efforts to achieve its business plans by exploring further financing opportunities, there is no assurance that the Company will be successful in obtaining acceptable financing. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary in the event that the Company is unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, using the same basis of presentation and accounting policies as described in the Company's audited financial statements for the year ended December 31, 2014. These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been authorized for issue by the Board of Directors on November 26, 2015.

(b) Basis of Presentation

These financial statements were prepared under the historical cost basis, and presented at Canadian dollar ("$").

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Consolidation (Continued)

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venture recognizes its investment in a joint arrangement using the equity method

Intra-group balances and transactions, and any unrealized income and expense arising from intra-group transactions, are eliminated on consolidation.

(d) Critical Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates, judgements and assumptions that affect the application of accounting policies. Additionally, these estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

Certain estimates, such as those related to valuation of inventories, impairment of properties under construction, impairment of property and equipment, allowance for impairment on other receivables, valuation of debt conversion options and derivatives, depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements. The PRC economic, political and social conditions as well as government policies have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Change in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below

Cash-Generating Unit (CGU) Determination

Identification of an asset's cash-generating unit under IAS 36 involves judgement. CGUs which is the lowest level of assets that cash inflows are independent of other assets. In determining the CGUs, the Company considered the internal reporting, including the level at which financial forecasts were prepared and monitored, and the significant assets relating to the Company's products and services required to generate cash inflows.

Impairment of Depreciable Assets

At the end of each reporting period, the Company assesses whether there is any indication of impairment for its depreciable assets. If any such indication exists, then the Company will perform an impairment test. The impairment test is to compare the asset's carrying amount and its recoverable amount, where the recoverable amount is defined as the higher of the assets fair value less costs to sell of disposal and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Critical Accounting Estimates and Judgments (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss, which is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Impairment of Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs (or groups of CGUs) that is anticipated to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Share-based Payments

Under the Company’s stock option plan, all stock options granted have graded vesting period and exercisable up to five years from the date of grant. Each tranche of an award with graded vesting period is considered a separate grant at each vest date for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures.

The amount recognized for goods or services received during the vesting period shall be based on the best available estimate of the number of equity instruments anticipated to vest. The Company shall revise that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On vesting date, the Company shall revise the estimate to equal the number of equity instruments that ultimately vested. After vesting date, the Company shall make no subsequent adjustment to total equity for goods or services received if the share options are later forfeited at the end of the share option's life.

Useful Lives of Depreciable Assets

The Company estimates the useful lives for an item of depreciable assets to its significant parts and depreciates separately each such part. Management reviews the useful lives of depreciable assets and their significant parts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to a variety of factors including technical obsolescence. Details of Furniture and Equipment and Oil Recovery Equipment useful lives are provided in Note 2.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Critical Accounting Estimates and Judgments (Continued)

Valuation of convertible debentures

The convertible debentures were separated into their liability and equity components or derivative liability component at the date of issue, in accordance with the substance of the contractual agreements. The conversion options require an estimation of the fair value of a similar liability that doesn't have an associated equity component by using a suitable discount rate at initial recognition and each extension date. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole.

Valuation of stock options and warrants

The warrants attached with common shares and stock options require an estimation of the fair value at initial recognition. Management uses the Black-Scholes option pricing model to estimate the fair value of warrants.

(e) Other Significant Accounting Policies

Discontinued operation

A discontinued operation is a component that either has been disposed of, or is classified as held for sale, and
(a) represents a separate major line of business or geographical area of operations,
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
(c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

The Company closed its two Canadian cafés during the year ended December 31, 2014 and 2013, and then the Company doesn't have any café in Canada. The Company will henceforth be focusing its franchising expansion efforts in New York State where its brand identify and performance track record are strongest.

The Canada segment has been classified as discontinued operation.

Segment Information

In accordance with IFRS 8 Operating Segments, it is mandatory for the Company to present and disclose segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment. The Company's operating segments were determined based on information reported to the Executive Chairman and the Board of Directors. This information is predominately based on activity segments which are managed separately.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Company's assets at its head office.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Revenue Recognition

The Company has two revenue streams, one from cafés, one from commercial sales

Sale of Goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: The Company has transferred to the buyer the significant risks and rewards of ownership of the goods; The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; The amount of revenue can be measured reliably; Servicing fees included in the data monitoring products sold are recognised by reference to the proportion of the total cost of providing the service; and Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses as incurred.

Revenue from cafés is recognised when the goods are delivered to the customer and cash received.

Inventories

Inventories are valued initially at cost and subsequently at the lower of cost and net realizable value. Cost comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Property and Equipment

Property and equipment is initially recorded at cost being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment.

Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Gains and Losses

Gains and losses on disposal of an item or property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within gain or loss from disposal of equipment in profit or loss.

Depreciation

Depreciation is recognized in net income and begins when the asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on a straight line basis over the estimated useful life of the assets as follows:

Computer equipment and software	-	5 years
Furniture and fixtures	-	5 to 7 years
Machinery and equipment	-	5 to 7 years
Leasehold improvements	-	5 to 10 years
Vehicle	-	5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Leased Assets

IAS 17 Lease requires the Company to classify the lease to be a finance lease or operating lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease if it does not transfer substantially all the risks and rewards incidental to ownership. Risks include the possibilities of losses from idle capacity or technological obsolescence and of variations in return because of changing economic conditions. Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realization of a residual value.

For finance leases, at the commencement of the lease term, the Company shall recognize finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the Company's incremental borrowing rate shall be used. Any initial direct costs of the Company are added to the amount recognized as an asset.

Initial direct costs are often incurred in connection with specific leasing activities, such as negotiating and securing leasing arrangements. The costs identified as directly attributable to activities performed by the lessee for a finance lease are added to the amount recognised as an asset.
Subsequent measurement

Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Leased Assets (Continued)

A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

At each end of reporting date, management assess if there is any indication that those leased assets have suffered an impairment loss. If any such indication exists, then the Company will perform an impairment test. See above note for impairment of depreciable assets.

If it is operating leases, lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Business Combinations

Acquisitions of subsidiaries and businesses will be accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination other than transaction costs which are expensed. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations will be recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations, which will be recognized and measured at fair value less costs to sell.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed at their respective fair values. For subsequent changes, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed at their respective fair values. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument The classification of financial assets and liabilities depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets and financial liabilities are measured initially at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss ("FVTPL"), which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently depending on their classification as discussed below.

Financial Assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a)Fair value through profit or loss ("FVTPL") – This category comprises financial assets held for trading and assets designated upon initial recognition as FVTPL. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term. On initial recognition it is part of a portfolio of identifiable financial instruments managed together for which there is evidence of a recent pattern of short-term profit taking, or a derivative (excluding a derivative used for hedging). FVTPL are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the year.

b)Loans and receivables – Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce loans and receivables to fair value. Subsequently, loans and receivable are measured at initial measurement less any allowance for doubtful accounts.

c)Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the Company's original effective interest rate. The impairment losses are recognized in the statement of comprehensive loss.

d)Available-for-sale – Non-derivative financial assets designated as available-for-sale and financial assets that are not classified as loans and receivables, held to maturity investments or FVTPL. Available-for-sale are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment other than temporary, the amount of the loss is removed from the other comprehensive income and recognized in the statement of comprehensive loss.

All financial assets except for those recorded at fair value through profit or loss and as available-for-sale are subject to review for impairment. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was assumed. The Company's accounting policy for each category is as follows:

a)FVTPL – This category comprises financial liabilities held for trading and liabilities designated upon initial recognition as FVTPL. FVTPL liabilities are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss for the period.

b) Other financial liabilities – All other financial liabilities except financial liabilities FVTPL.

Classification of financial instruments

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of inputs in measuring fair value as the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 –inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Group's financial instruments consist of the following:

Financial Instrument	Classification	Measurement
Cash	FVTPL	Fair value
Accounts and other receivables	Loans and receivables	Amortized cost
Advances to related parties	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Demand Grid Note	Other financial liabilities	Amortized cost
Secured Promissory Note	Other financial liabilities	Amortized cost
Advances from related parties	Other financial liabilities	Amortized cost
Finance lease	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Convertible debenture	Other financial liabilities	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Financial Instruments (Continued)

The fair value of cash and cash equivalents, term deposit, other receivables, amounts due from related party, accounts payable and accrued liabilities, ARES I operational optimization costs payable, tax payable from discontinued operations, amounts due to related parties, advance from shareholder and investment in joint venture approximates their carrying values due to their short-term nature.

As of December 31, 2014 and 2013, except for cash, none of the Company's financial instruments are recorded at fair value in the consolidated statement of financial position. Cash and cash equivalents and term deposit are classified as Level 1.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets.

The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

Share capital represents shares that have been issued by the Company measured at the proceeds received, net of direct issue costs. The proceeds related to common share warrants are estimated based on the grant date estimated fair value of the warrants as determined using the Black-Scholes option pricing model with assumptions including expected dividend yield, expected volatility, risk free interest rate and expected life.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Share-based Payments

Under the Company’s stock option plan, all stock options granted have graded vesting period and exercisable up to five years from the date of grant. Each tranche of an award with graded vesting period is considered a separate grant at each vest date for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures.

The amount recognized for goods or services received during the vesting period shall be based on the best available estimate of the number of equity instruments anticipated to vest. The Company shall revise that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On vesting date, the Company shall revise the estimate to equal the number of equity instruments that ultimately vested. After vesting date, the Company shall make no subsequent adjustment to total equity for goods or services received if the share options are later forfeited at the end of the share option's life.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. An asset is normally ready for its intended use or sale when the physical construction of the asset is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the purchaser's or user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign Currencies

Functional currency

The consolidated financial statements are presented in Canadian dollars, which is the parent’s functional and presentation currency. Each subsidiary determines its own functional currency. Management reviewed the primary and secondary indicators in IAS 21, *The Effects of changes in Foreign Exchange Rates*, and determined that the functional currency for Canadian subsidiaries is Canadian dollars, and for US subsidiaries is US dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other Significant Accounting Policies (Continued)

Foreign Currencies (Continued)

Foreign operations

Under IFRS, when the Company translates the financial statements of subsidiaries from their functional currency to presentation currency, assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Share capital, warrants, equity reserves, other comprehensive income, and deficit are translated into Canadian dollars at historical exchange rates. Revenues and expenses are translated into Canadian dollars at the average exchange rate for the period. Foreign exchange gains and losses on translation are included in other comprehensive income. Foreign exchange differences that arise relating to balances that form part of the net investment in a foreign operation are recognized in a separate component of equity through other comprehensive income. On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference in other comprehensive income is recognized within profit or loss.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) New and amended accounting standards adopted

The following IFRS standards have been adopted by the Company in 2015 did not have an impact on its consolidated financial statements:

IFRSs (Amendment): The Annual Improvements to IFRSs 2010-2012 and 2011-2013 become effective for annual periods beginning on or after July 1, 2014.

- IFRS 2, Share-based Payment
- IFRS 3, Business Combinations
- IFRS 8, Operating Segments
- IFRS 13, Fair value Measurement
- IAS 16, Property, Plant and equipment
- IAS 38, Intangible Assets
- IAS 24, Related Party Disclosures
- IAS 40, Investment Property

(In Canadian Dollars) 18

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) New accounting standards not yet adopted

IFRS 11, Joint Arrangements ("IFRS 11")
IFRS 11 has been amended to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 has been issued by IASB to replace IAS 18: Revenues and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

3. SUBSIDIARIES

Name	% Ownership	Functional currency	Location
Spot Coffee Buffalo Inc.	100%	US Dollars	Buffalo, New York State
Spot Coffee Transit Inc.	100%	US Dollars	Buffalo, New York State
Valshire Spot Inc.	100%	US Dollars	Rochester, New York State
Spot Coffee Glen, LLC	100%	US Dollars	Glens Falls, New York State
Spot Coffee Hertel Inc.	60%	US Dollars	Buffalo, New York State
Spot Coffee Saratoga LLC.	60%	US Dollars	Saratoga Springs, New York State
Williamsville Spot Inc.	67%	US Dollars	Williamsville, New York State
Spot Coffee Orchard Park, LLC (Note 4)	-	US Dollars	Orchard Park, New York State
Hot Spot Concord Place Inc. (i)	100%	Canadian Dollars	Toronto, Ontario

(i) On September 22, 2014, Concord Adex Developments Corp terminated the lease of Hot Spot Concord Place Inc. which owns and operates the Spot Concord café located in downtown Toronto Canada. The Company will henceforth be focusing its franchising expansion efforts in New York State where its brand identity and performance track record are strongest.

4. LICENSE AGREEMENT

On June 16, 2014, the Company executed a License Agreement with Mr. Keith Bernard for the operation of Spot Orchard Park café which was opened on April 28, 2014. The Company transferred its 60% shareholding interest in Spot Coffee Orchard Park, LLC to Mr. Bernard, who previously owned 40% of Spot Coffee Orchard Park, LLC. The Company earns an ongoing licensing fee of 5% of the Spot Orchard Park café's revenue on a monthly basis. This License Agreement is an interim agreement which precedes the launch of SPoT's franchise program.

5. INVENTORIES

Inventories consist primarily of raw materials such as coffee beans and finished goods such as restaurant food items. The costs of inventories expensed in the nine months ended September 30, 2015 are $1,529,596 (2014 - $1,558,804) which is included in the cost of sales in the consolidated statements of operations and comprehensive loss.

	September 30, 2015	December 31, 2014
Raw Materials	$ 42,123	$ 30,074
Finished Goods	96,470	73,510
	$ 138,593	$ 103,584

(In Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Computer equipment and software	Furniture and fixtures	Machinery and equipment	Leasehold Improvements	Vehicle	Finance Lease Assets: Machinery and equipment	Finance Lease Assets: Leasehold Improvements	Total
Cost								
Balance as of December 31, 2013	250,159	473,312	1,221,717	3,575,494	41,522			5,562,204
Additions	31,434	21,276	81,977	543,528		78,096	46,404	802,715
Impact on Foreign Exchange	35,591	132,700	205,775	522,323	3,768			900,157
Elimination of discontinued subsidiary	(13,859)	(61,834)	(193,457)	(500,389)				(769,539)
Balance as of December 31, 2014	303,325	565,454	1,316,012	4,140,957	45,290	78,096	46,404	6,495,537
Additions	11,855	7,255	49,995	21,434	2,178	6,265	34,196	133,178
Impact on Foreign Exchange	43,877	6,034	66,056	(305,806)	6,808	311,740	6,977	(164,311)
Balance as of September 30, 2015	359,057	578,743	1,432,063	3,856,585	54,276	96,102	87,577	6,464,404
Accumulated depreciation and impairment losses								
Balance as of December 31, 2013	142,439	254,621	663,611	1,298,096	39,409			2,398,176
Depreciation for the period	44,284	80,759	138,417	440,867	557	14,483	4,411	723,777
Impairment Expense		154,806		897,015				1,051,821
Impact on Foreign Exchange	30,893	(25,240)	330,974	388,423	3,715			728,765
Elimination of discontinued entity	(6,963)	(46,982)	(160,737)	(501,139)				(715,820)
Balance as of December 31, 2014	210,654	417,964	972,265	2,523,262	43,681	14,483	4,411	4,186,719
Depreciation for the period	32,326	41,935	105,547	253,744	579	15,377	5,564	455,073
Impact on Foreign Exchange	31,761	(9,490)	21,447	(633,175)	6,601	3,086	(569)	(580,337)
Balance as of September 30, 2015	274,741	450,409	1,099,259	2,143,831	50,861	32,946	9,406	4,061,455
Net Book Value								
At December 31, 2013	107,720	218,691	558,106	2,277,398	2,113	-	-	3,164,028
At December 31, 2014	92,672	147,490	343,747	1,617,694	1,609	63,613	41,993	2,308,818
At September 30, 2015	84,317	128,334	332,804	1,712,753	3,415	63,155	78,171	2,402,949

Certain property and equipment are pledged as security for the Secured Subordinated Note (see Note 11). All property and equipment are pledged as security to the convertible bond and secured promissory note.

(In Canadian Dollars) 20

7. GOODWILL

Goodwill is allocated to the following two cash-generating units (CGUs): Delaware Café, Elmwood Café

	Net Book Value of Goodwill December 31, 2014	
Delaware café	$	422,744
Elmwood Café		580,096
Impairment loss		(1,002,840)
	$	-

The Company tested all of its cash-generating units for impairment at December 31, 2014 by comparing their carrying amounts to their recoverable amount. It determined each cash-generating unit's recoverable amount based on its value in use, calculated using cash flow projections derived from a financial budget approved by management for a period of five years extrapolated beyond this period using an assumed annual growth rate of 2% for each segment. The Company discounted these estimates of future cash flows to their present value using a pre-tax discount rate of 29.6%.

Due to the decline of the cash flow, the recoverable amount of these two CGUs was determined to be much lower than their carrying amount, and management determined the goodwill has been impaired, and fully wrote off the goodwill to Nil.

8. DEMAND GRID NOTE

For the nine months ended September 30, 2015, included in interest and bank charges is $6,980 (2014 - $5,137) of interest that the Company paid on the First Niagara Demand Grid Note. The interest, at prime rate plus 1.25%, is payable monthly in arrears on the first day of each consecutive month. As of September 30, 2015, the Demand Grid Note balance amounted to $200,175 (2014 - $174,015).

9. SECURED PROMISSORY NOTE

On March 12, 2014, the Company signed a short-term secured promissory note in the total amount of $300,000 to fund working capital in connection with the operating of its newest cafés. The principal amount of the loans is $300,000 and bear interest at the rate of 12% per annum, payable at maturity. The loans are for a term of 90 days, with the Company retaining the right to renew the loans for an additional term. The Company has extended the maturity date of the Secured Promissory Note to September 15, 2015. As of September 30, 2015, the Secured Promissory Note balance amounted to $292,500.

10. FINANCE LEASES

Finance leases relate to café equipment and fixtures with a net carrying amount $104,582 and various lease terms payable in monthly installments in advance. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and the Company has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

(In Canadian Dollars) 21

10. FINANCE LEASES (Continued)

The interest rates are fixed at contract dates and the fair value of the finance lease liabilities approximated carrying value.

	September 30, 2015	December 31, 2014
Finance Lease # 1 (i)	$ 5,393	$ 17,341
Finance Lease # 2 (ii)	1,566	5,212
Finance Lease # 3 (iii)	17,493	29,837
Finance Lease # 4 (iv)	12,497	18,939
Finance Lease # 5 (v)	26,651	33,339
Finance Lease # 6 (vi)	7,133	10,026
Finance Lease # 7 (vii)	10,834	-
Finance Lease # 8 (viii)	4,854	-
Finance Lease # 9 (ix)	18,161	-
	104,582	114,694
Current portion	(71,643)	(56,328)
Long-term portion	32,939	58,366

(i) On December 17, 2012, the Company entered into a café equipments lease agreement, which will commence on January 1, 2013, with an original principal amount of $70,229 at an effective annual rate of interest of 10.9%. Blended monthly payments are $3,205 plus applicable taxes for 27 months until March 31, 2015; and $713.45 plus applicable taxes for 9 months until December 31, 2015.

(ii) On December 20, 2012, the Company entered into a café equipments lease agreement, which will commence on January 1, 2013, with an original principal amount of $20,336 at an effective annual rate of interest of 10.9%. Blended monthly payments are $958 plus applicable taxes for 27 months until March 31, 2015; and $215.34 plus applicable taxes for 9 months until December 31, 2015.

(iii) On December 18, 2013, the company entered into a café equipment lease agreement, which will commence on January 25, 2014, with an original principal amount of $43,406 at an effective annual rate of interest of 16.9%. Blended monthly payments are $1,519 plus applicable taxes for 33 months, which will end on October 25, 2016 with a $3,251 buyback.

(iv) On March 19, 2014, the company entered into a café equipment lease agreement, which will commence on April 25, 2014, with an original principal amount of $23,820 at an effective annual rate of interest of 16.4%. Blended monthly payments are $838 plus applicable taxes for 34 months, which will end on February 25, 2017 with a $1,794 buyback.

(v) On April 4, 2014, the company entered into a café fixture lease agreement, which will commence on May 8, 2014, with an original principal amount of $46,404 at an effective annual rate of interest of 18.9%. Blended monthly payments are $1,624 plus applicable taxes for 33 months, which will end on January 8, 2017 with the ownership transferred to the company.

(vi) On October 22, 2014, the company entered into a café equipment lease agreement, which will commence on October 25, 2014, with an original principal amount of $10,870 at an effective annual rate of interest of 19%. Blended monthly payments are $391 plus applicable taxes for 33 months, which will end on August 25, 2017 with an $850 buyback.

(vii) On April 18, 2015, the company entered into a café equipment lease agreement, which will commence on April 27, 2015, with an original principal amount of $12,149 at an effective annual rate of interest of 18.4%. Blended monthly payments are $346 plus applicable taxes for 36 months, which will end on February 27, 2018 with the ownership transferred to the company.

(viii) On April 23, 2015, the company entered into a café equipment lease agreement, which will commence on May 1, 2015, with an original principal amount of $5,863 at an effective annual rate of interest of 19.9%. Blended monthly payments are $233 plus applicable taxes for 24 months, which will end on March 1, 2017.

(ix) On May 5, 2015, the company entered into a café equipment lease agreement, which will commence on May 8, 2015 with an original principal amount of $19,854 at an effective annual rate of interest of 17.5%. Blended monthly payments are $559 plus applicable taxes for 36 months, which will end on March 8, 2018 the ownership transferred to the company.

(In Canadian Dollars) 22

11. LONG-TERM DEBT

The book value of the long-term debt is as follows:

	September 30, 2015	December 31, 2014
First Niagara Loan of US $25,135, bearing interest at 6% annually, payable in blended interest and principal monthly payments of US$765, due in February 2015 *(Note i)*	-	1,768
Secured Subordinated Note, $750,000 *(Note ii)*	716,865	687,675
Secured Subordinated Note, $250,000 *(Note iii)*	229,412	220,750
Secured Subordinated Note, $280,000 *(Note iv)*	247,532	243,318
Secured Subordinated Note, $200,000 *(Note v)*	178,570	172,357
	1,372,380	1,325,868
Current portion *(Note i)*	(716,865)	(1,767)
Long-term portion	$ 655,515	$ 1,324,101

(i) For the year ended December 31, 2014, included in interest and bank charges is $470 of interest that the Company paid on the First Niagara loan. As at December 31, 2014, the current portion of the First Niagara loan is $1,768.

(ii) On July 29, 2011, the Company closed a $750,000 financing in the form of Secured Subordinated Note ("Note") with 1,500,000 detachable 5-year common share purchase warrants at an exercise price of $0.18 per share. The Note has a 5-year term and semi-annual coupon equivalent to 9% annualized interest on the principal amount. There is no prepayment option in year 1. In year 2, a prepayment of the balance can be made subject to a prepayment penalty of 10% of the prepayment amount. During year 3 the prepayment penalty is 5% of the prepayment amount. There is no prepayment penalty after year 3. The fair value of the note was determined at the time of issue as the difference between the $750,000 and the discounted cash flows assuming a 15.7% rate. The valuation allocation of the warrants amounted to $160,000.

(iii) On April 20, 2012, the Company closed a $250,000 financing in the form of Secured Subordinated Note ("Note") with 500,000 detachable 5-year common share purchase warrants at an exercise price of $0.25 per share. The Note has a 5-year term and semi-annual coupon equivalent to 9% annualized interest on the principal amount. There is no prepayment option in year 1. In year 2, a prepayment of the balance can be made subject to a prepayment penalty of 10% of the prepayment amount. During year 3 the prepayment penalty is 5% of the prepayment amount. There is no prepayment penalty after year 3. The fair value of the note was determined at the time of issue as the difference between the $250,000 and the discounted cash flows assuming a 15.7% rate. The valuation allocation of the warrants amounted to $53,000.

(iv) On July 17, 2012, the Company closed a $280,000 financing in the form of Secured Subordinated Note ("Note") with 560,000 detachable 5-year common share purchase warrants at an exercise price of $0.25 per share. The Note has a 5-year term and semi-annual coupon equivalent to 9% annualized interest on the principal amount. There is no prepayment option in year 1. In year 2, a prepayment of the balance can be made subject to a prepayment penalty of 10% of the prepayment amount. During year 3 the prepayment penalty is 5% of the prepayment amount. There is no prepayment penalty after year 3. The fair value of the note was determined at the time of issue as the difference between the $280,000 and the discounted cash flows assuming a 15.7% rate. The valuation allocation of the warrants amounted to $60,000.

(v) On October 11, 2012, the Company closed a $200,000 financing in the form of Secured Subordinated Note ("Note") with 400,000 detachable 5-year common share purchase warrants at an exercise price of $0.25 per share. The Note has a 5-year term and semi-annual coupon equivalent to 9% annualized interest on the principal amount. There is no prepayment option in year 1. In year 2, a prepayment of the balance can be made subject to a prepayment penalty of 10% of the prepayment amount. During year 3 the prepayment penalty is 5% of the prepayment amount. There is no prepayment penalty after year 3. The fair value of the note was determined at the time of issue as the difference between the $200,000 and the discounted cash flows assuming a 15.7% rate. The valuation allocation of the warrants amounted to $42,000.

(In Canadian Dollars) 23

12. CONVERTIBLE DEBENTURES

On July 16, 2013, the Company closed a non-brokered private placement of secured convertible debentures for aggregate gross proceeds of $1,400,000. The convertible debentures bear interest at a rate of 9% per annum and will mature three years after their date of issue. The convertible debentures are convertible into common shares of the Company at a price of $0.18 per share at any time prior to maturity at the option of the holder.

The convertible debentures were initially recorded according to their respective liability and equity components as follows: liability component of $1,229,439 and conversion option equity component of $112,650. The liability portion of the debentures was recorded at the present value of the expected future principal and interest cash flows using a discount rate of 15%. The value of the equity component is the difference between the present value of the liability component of the convertible debenture and the total proceeds from the issue of convertible debenture, and has been included as components of shareholders' equity.

13. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2015, the Company had 86,926,837 common shares issued and outstanding.

	Common Shares	
	Number	Amount
Issued and outstanding:		
Balance, December 31, 2013 and December 31,2014	79,426,837	$ 9,063,328
Units issued for $0.05 private placement (i)	7,500,000	375,000
Value of warrants for $0.075 private placement (i)		(82,000)
Share issuance costs (i)		(3,375)
Balance, September 30, 2015	86,926,837	$ 9,352,953
To Be Issued:		
Balance, December 31, 2014	-	-
Units to be issued for $0.05 private placement (ii)	4,500,000	$ 225,000
Balance, September 30, 2015	4,500,000	$ 250,000

(i) 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. The value of warrants in the amount of $82,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 102%; risk free interest rate of 1.32%; and expected life of 5 years. Share issue costs of $3,375 were incurred in relation to this private placement.

(ii) During the third quarter 2015, the Company received subscriptions of 4,500,000 units of the company at a price of $0.05 per unit for gross proceeds for $225,000 for an upcoming private placement. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $0.075 per share for a period of four years from closing.

14. STOCK OPTIONS

On August 8, 2011, the Company granted an aggregate of 2,201,931 options to certain officers, directors and employees of the Company with an exercise price of $0.14 per common share, which vest in twelve equal monthly installments beginning from the date of their grant. The options expire on the earlier of their fifth anniversary date or the time the optionees cease to serve as officers, directors or employees of the Company. As at June 30, 2015, 5,044 stock options were forfeited as a result of the condition of employment not having been met prior to vesting, 962,167 vested share options expired following a three-month post-employment termination option term, and 25,136 stock options were exercised for aggregate amount of $3,519.

On December 22, 2011, the Company granted an aggregate of 963,106 options to certain directors of the Company with an exercise price of $0.21 per common share, which vest in four equal monthly installments beginning from the date of their grant. The options expire on the earlier of their fifth anniversary date or the time the optionees cease to serve as officers, directors or employees of the Company. As at September 30, 2015, 300,000 vested share options expired following a three-month post-employment termination option term.

On November 19, 2012, the Company granted an aggregate of 960,000 options to certain officers, directors and employees of the Company with an exercise price of $0.19 per common share, which vest in twelve equal monthly installments beginning from the date of their grant. The options expire on the earlier of their fifth anniversary date or the time the optionees cease to serve as officers, directors or employees of the Company. The fair value of these options was estimated by using the Black-Scholes options pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 165%; risk free interest rate of 1.32%; and expected life of 5 years. The weighted average grant date fair value is $12,840. As at September 30, 2015, 280,000 vested share options expired following a three-month post-employment termination option term.

On January 20, 2014, the Company granted an aggregate of 4,430,000 options to certain officers, directors, employees, and consultants of the Company with an exercise price of $0.12 per common share, which vest in twelve equal monthly installments beginning from the date of their grant. The options expire on the earlier of their fifth anniversary date or the time the optionees cease to serve as officers, directors or employees of the Company. The fair value of these options was estimated by using the Black-Scholes options pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 92%; risk free interest rate of 1.32%; and expected life of 5 years. $208,210 was included in the stock based compensation expense in the year ended December 31, 2014. As at September 30, 2015, 150,000 vested share options expired following a three-month post-employment termination option term.

On July 20, 2015, the Company granted 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. The fair value of these options was estimated by using the Black-Scholes options pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 102%; risk free interest rate of 1.32%; and expected life of 5 years. $11,282 was included in the stock based compensation expense in the year ended September 30, 2015.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(In Canadian Dollars) 25

14. STOCK OPTIONS (Continued)

As at September 30, 2015, the Company had the following outstanding and exercisable stock options:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price
	#	#	$
August 8, 2016	1,209,584	1,209,584	0.1400
December 22, 2016	663,106	663,106	0.2100
November 19, 2017	680,000	680,000	0.1900
January 20, 2019	4,180,000	4,180,000	0.1200
July 20, 2020	1,209,994	201,666	0.0500
Total	7,942,684	6,934,356	0.1259

The following table summarizes the stock option activity during 2015 and 2014:

	Options	Weighted Average Exercise Price
	#	$
Balance, December 31, 2013	2,640,786	0.1719
Issued	4,430,000	0.1200
Expired	(13,096)	0.1400
Expired	(25,000)	0.1900
Expired	(50,000)	0.1200
Balance, December 31, 2014	6,982,690	0.1393
Issued	1,209,994	0.0500
Expired	(50,000)	0.1900
Expired	(200,000)	0.1200
Balance, September 30, 2015	7,942,684	0.1259

15. WARRANTS

On July 29, 2011, the Company issued 1,500,000 common share purchase warrants, along with a Secured Subordinated Note of $750,000, at an exercise price of $0.18 for each warrant for a period of five years from closing. The estimated grant date fair value of these warrants was determined to be $160,000 (see Note 11).

On November 25, 2011, the Company issued 1,666,667 common share purchase warrants at an exercise price of $0.20 for a period of two years from closing. In addition, the Company also issued an aggregate of 2,800 broker warrants at an exercise price of $0.15 for a period of two years from closing. The estimated grant date fair value of these warrants were determined to be $159,020 using Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 160%; risk free interest rate of 1.40%; and expected life of 2 years. All 1,666,667 warrants and 2,800 broker warrants were expired on November 25, 2013.

On April 20, 2012, the Company issued 500,000 common share purchase warrants, along with a Secured Subordinated Note of $250,000, at an exercise price of $0.25 for each warrant for a period of five years from closing. The estimated grant date fair value of these warrants was determined to be $53,000 (see Note 11).

On July 17, 2012, the Company issued 560,000 common share purchase warrants, along with a Secured Subordinated Note of $280,000, at an exercise price of $0.25 for each warrant for a period of five years from closing. The estimated grant date fair value of these warrants was determined to be $60,000 (see Note 11).

(In Canadian Dollars) 26

15. WARRANTS (Continued)

On October 11, 2012, the Company issued 400,000 common share purchase warrants, along with a Secured Subordinated Note of $200,000, at an exercise price of $0.25 for each warrant for a period of five years from closing. The estimated grant date fair value of these warrants was determined to be $42,000 (see Note 11).

On October 11, 2012, the Company issued 2,652,777 common share purchase warrants at an exercise price of $0.25 for a period of three years from closing. The estimated grant date fair value of these warrants were determined to be $262,553 using Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 145%; risk free interest rate of 1.23%; and expected life of 3 years.

On August 29, 2013, the Company issued 1,979,167 common share purchase warrants at an exercise price of $0.20 for a period of three years from closing. The estimated grant date fair value of these warrants were determined to be $96,500 using Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 104%; risk free interest rate of 1.37%; and expected life of 3 years.

On July 23, 2015, the Company issued 3,750,000 common share purchase warrants at an exercise price of $0.075 for a period of five years from closing. The estimated grant date fair value of these warrants were determined to be $82,000 using Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 102%; risk free interest rate of 1.32%; and expected life of 5 years.

Summary of outstanding warrants at September 30, 2015:

Expiry Date	Exercise Price		Warrants Outstanding	Value	
October 11, 2015	$	0.25	2,652,777	$	262,552
August 24, 2016	$	0.18	1,500,000	$	160,000
August 29, 2016	$	0.20	1,979,167	$	96,500
April 20, 2017	$	0.25	500,000	$	53,000
July 17, 2017	$	0.25	560,000	$	60,000
October 11, 2017	$	0.25	400,000	$	42,000
July 23, 2020	$	0.075	3,750,000	$	82,000
			11,341,944	$	756,052

16. CONTRIBUTED SURPLUS

Contributed surplus transactions during 2015 and 2014 were as follows:

Balance, December 31, 2013	$	922,109
Stock-based compensation (options issued on 01/20/2014)		208,210
Expired warrants		433,846
Contribution from non-controlling interest		(10,615)
Balance, December 31, 2014	$	1 ,553,550
Stock-based compensation (options issued on 07/20/2015)		11,282
Balance, September 30, 2015	$	1 ,564,832

(In Canadian Dollars) 27

17. EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year.

The diluted earnings per share indicates what basic earnings per share would have been if the potentially dilutive securities outstanding at any time during the year has been converted at the later of the beginning of the year or the date of issue of the convertible security. As the Company had a loss for the three and nine months ended September 30, 2015 and 2014, all convertible instruments are deemed to be antidilutive.

Basic and diluted loss per share attributable to owners of the parent:

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2015	2014	2015	2014
Numerator - Net Loss for the period	$ (326,103)	$ (415,960)	$ (1,083,956)	$ (1,465,489)
Denominator - Weighted average number of shares	84,426,837	79,426,837	81,093,504	79,426,837
Basic and diluted loss per share	$ (0.004)	$ (0.005)	$ (0.013)	$ (0.018)

18. RELATED PARTY TRANSACTIONS

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.

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
	$	$
Salaries and wages	263,790	270,646
Consulting fee	61,019	22,983
Share-based payments	6,480	122,273

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.

	September 30, 2015	December 31, 2014
	$	$
Accounts and other receivable	-	85,011
Accounts payables and accrued liabilities (Management salaries payable)	199,015	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.

(In Canadian Dollars) 28

19. COMMITMENTS

The Company is committed to lease agreements for its premises. Basic rent payments of $604,389 were included in the Rent and Occupancy cost in the nine months ended September 30, 2015. Future minimum payments under these operating leases approximate the following:

2015	$	214,250
2016		844,857
2017		847,254
2018		766,698
2019		670,357
2020 and thereafter		900,207
	$	4,243,622

20. FINANCIAL INSTRUMENTS

General objectives, policies, and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company‘s finance function. The Board of Directors receives quarterly reports from the Company‘s Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Company‘s financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, and interest rate risk. The Company‘s exposure to these risks and its methods of managing the risks remain consistent.

Interest Rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The bank indebtedness is subject to interest rate variability. Long-term debt bears interest at fixed interest rates. The Company monitors its exposure to interest rates annually. A 1% change in interest rates would results in a corresponding change in net loss by approximately $nil based on the balances subject to variable interests at September 30, 2015.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, accounts receivable and loan receivable. Accounts receivable includes approximately $26,533 of commodity tax credits due from Revenue Canada. The allowance for doubtful accounts is $Nil for the quarter ended September 30, 2015. Management believes that the credit risk concentration with respect to financial instruments included in current assets is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2015, the Company had a cash and cash equivalents balance of $80,645 (December 31, 2014 - $215,908) and short term accounts payable and accrued liabilities of $2,579,811(December 31, 2014 - $2,150,181). Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

20. FINANCIAL INSTRUMENTS (Continued)

Foreign Currency risk

The Company is subject to foreign exchange risk as operations are conducted in the United States. The Company is therefore subject to gains and losses due to fluctuations in the US dollar relative to the Canadian dollar. A $0.05 change in the Canadian and US dollar exchange rate on the financial instruments would result in change in net profit or loss of approximately $4,000 for the nine months ended September 30, 2015.

21. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its general and administrative expenses, working capital and overall capital expenditures. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of share capital, shares to be issued, stock options, advances from shareholders, secured subordinated note, long-term debt and contributed surplus.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2015 and 2014. The Company is not subject to externally imposed capital requirements.

22. DISCONTINUED OPERATIONS

During the year the Company closed its Hot Spot Concord Place café. As a result of the closure of both remaining cafés in Canada, the Company has ceased its operations in its Canadian reportable operating segment. The Company has written off the full value of it's the assets and liabilities of the two cafés and reported it as a loss from discontinued operations as of December 31, 2014.

23. CONTINGENCY

On January 28, 2015, Spot Coffee Park Place Inc., a wholly-owned subsidiary of Spot Coffee (Canada) Ltd., has entered into a lawsuit with its landlord on misrepresentation surrounding the entering into the lease, which was terminated on June 1, 2013. The matter has not proceeded beyond the pleading stage. The likelihood of gain is not reasonably estimable at this time. The landlord has made counterclaim against Spot Coffee Park Place Inc. for breach of lease contract. Management believes the likelihood of loss is not reasonably estimable at this time.