SPoT COFFEE (CANADA) LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For The Year Ended December 31, 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 May 6, 2016, should be read in conjunction with SPoT's consolidated financial statements for the year ended December 31, 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 and operates community oriented cafés that provide its customers with the highest quality service, signature made-to order meals, and the world's finest in-house roasted gourmet coffee. Each SPoT café is distinctively designed to complement the unique attributes of the local neighborhood; creating a warm and friendly gathering place for the community. SPoT's commercial business focuses on retail stores, business accounts and third party resellers.

Overview of the Business

Current Operations

At the café level, SPoT's 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. SPoT expects increased revenue from new franchise sales and operations.

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 and highly qualified café managers.

In addition to growth through the sale of franchise cafés, the Company also focused on growing its business in other ways. The Company remained focused on strategic awareness initiatives including community involvement, strengthening SPoT's social media presence by expanding social media channels and other forms of conventional media including radio 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 New York.

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.

Spot Coffee Hamburg

SPoT entered into an agreement for its first franchise cafe in Hamburg, New York in July 2015.

Spot Coffee Hamburg is located in the heart of Hamburg's most active pedestrian community, Hamburg Village. It's owned and operated by a family from the Hamburg community. Spot Coffee Hamburg features Spot's distinctive interior design, several seating options, a relaxed atmosphere and a patio. It serves Spot's complete menu including its award-winning coffee, hand-crafted beverages, signature light meals and gourmet pizza. In accordance with the franchise agreement, Spot Coffee Hamburg opened for business on schedule in January of 2016.

Spot Coffee Kenmore

Spot entered into an agreement for its second franchise café in Kenmore, New York in February 2016. The cafe will be located at 1 Delaware Road in the former George Washington Elementary School, and expected to be open in the summer of 2016.

Ongoing 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 continues to accelerate the identification of construction of new franchises in New York State, with several more anticipated during 2016. The conversion of Spot Orchard Park from a café under licence to a franchise café is moving ahead as planned.

Website Redesign

SPoT's temporary transitional website continues to evolve. The new website focuses on ongoing customer engagement via new social media channels and revenue generation through a progressive catering solution. SPoT's international creative media firm continues to assist with the development of the full ecommerce site, which is expected to be rolled out in the summer of 2016. 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.

<u>Restaurant Industry</u>

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.

Results of Operations

Overall Performance

The Company reported gross profit (measured as revenue less cost of sales) of $6,470,321 for the year ended December 31, 2015, which represents an 20% increase from $5,413,762 for the same period of 2014. The Company's gross margins (measured as gross profit over revenue) for the year ended December 31, 2015 were 69% of total revenue which was in-line with the prior year.

The Company uses EBITDA as the measurement of its operating performance as EBITDA is a closer representation of cash earnings or loss. The Company evaluates its ability to earn profit by both café-level EBITDA and Company-wide EBITDA. For SPoT cafés that have been open for two years or longer, the Company achieved positive café-level EBITDA of $830,775, representing 10% of total Café-level sales, for the year ended December 31, 2015. The Company had negative Company-wide EBITDA of $175,446 for the year ended December 31, 2015. The Company-wide EBITDA reflects centralized and fixed operating and head office costs, the employment of highly qualified senior management and operating personnel at the head office level consistent with SPoT's overall development and future expansion. The Company expects to benefit from a larger revenue base and increasing economies of scale offsetting the Company's current investment into fixed centralized operating and head office costs.

The Company had consolidated net loss of $1,291,089 for the year ended December 31, 2015. The key drivers behind the net loss in 2015 include a $616,751 non-cash depreciation expense, an $170,330 non-cash debenture accretion expense, a $316,489 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 2015 increased 17% to $9,319,384 from $7,999,312 compared to 2014.

Cost of Sales

The Company's cost of sales for 2015 increased to $2,849,063 from $2,585,550 for the year of 2014. The cost of sales represents 31% of the total revenue for 2015 and is in-line with the prior year's cost of sales. The Company has implemented a streamlined system to optimize waste control at the café level.

Operating Expenses

Salaries and wages for the year ended December 31, 2015 increased to $4,181,690 from $3,640,688 for the year of 2014. The increase is in line with the Company's overall growth.

Occupancy costs for the year ended December 31, 2015 increased to $1,489,351 from $1,381,579 for the year of 2014. This increase was due to the opening of new cafés and an increase in rent and utilities expenses.

Office and general expenses for the year ended December 31, 2015 increased to $536,181 from $470,100 for the year of 2014. It relates to marketing and promotional expenses at the corporate level as well as the supplies, maintenance, telephone and shipping expenses at the café level. SPoT continues to closely monitor its day-to-day operations at both the corporate and café level.

Professional and consulting fees for the year ended December 31, 2015 decreased to $297,076 from $357,606 for the year of 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.

Travel expenses for the year ended December 31, 2015 increased to $86,816 from $75,465 compared to the year of 2014. The fees relate to business development and expansion in North America and Middle East.

Interest and bank charges for the year ended December 31, 2015 increased to $783,968 from $636,941 for the year of 2014. It mainly due to the higher volume in credit card transactions in sales, and a $494,588 debenture interest and accretion expense related to the Company's convertible debenture and long-term debt.

Depreciation costs for the year ended December 31, 2015 increased to $616,751 from $559,335 for the year of 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 December 14, 2015, the Company closed its second tranche of non-brokered private placement for total proceeds of $275,000 at a price of $0.05 per unit. Each unit consists of one common share of SPoT and one half common share purchase warrant.

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 December 31, 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.

	Year Ended December 31, 2015		
	Officers	Directors	Total
	$	$	$
Salaries and wages	236,770	118,800	355,570
Consulting fees	-	100,736	100,736
Stock-based compensation	5,079	5,785	10,864
	241,849	225,321	467,170

	Year Ended December 31, 2014		
	Officers	Directors	Total
	$	$	$
Salaries and wages	231,520	128,268	359,788
Consulting fees	-	87,983	87,983
Stock-based compensation	64,625	82,250	146,875
	296,145	298,501	594,606

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.

	December 31, 2015	December 31, 2014
Accounts and other receivable	$ -	$ 85,011
Accounts payables and accrued liabilities	$ 314,420	$ 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.

Included in the Secured Promissory Notes, a total amount of $84,879 promissory notes were from the companies controlled by directors and officers of the Company. The loan bears interest at the rate of 12% per annum and is due on demand.

Disclosure of Outstanding Share Data

As at May 6, 2016, the Company had 92,426,837 common shares issued and outstanding.

An additional 19,381,851 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 111,808,688 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, 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

Identification of Cash-Generating Unit ("CGU")

Identification of an asset's cash-generating unit under International Accounting Standards ("IAS") 36, *Impairment of Assets,* involves judgement. CGUs are the lowest level of assets that cash inflows are independent of other assets. In determining 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.

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.

Share-based Payments

Under the Company's stock option plan, all stock options granted have graded vesting periods 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.

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 stock options and warrants.

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 year ended December 31, 2015 and 2014.

Summary of Quarterly Results

There were no dividends paid in the last eight quarters.

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1
Revenue from operations	2,588,285	2,459,719	2,317,721	1,953,659	1,522,315	2,312,768	2,354,923	1,809,306
Cost of Sales	782,605	735,603	700,363	630,492	434,416	787,465	804,367	559,302
Net Income (Loss)	(204,459)	(323,416)	(274,423)	(488,791)	(2,891,437)	(422,602)	(443,641)	(634,215)
Total assets	2,880,012	2,901,839	2,922,414	3,077,212	3,012,869	5,119,051	5,171,812	6,156,068
Long-term Liabilities	1,106,588	2,349,587	3,009,607	2,969,567	2,906,366	2,797,159	2,729,002	2,669,756