SPoT COFFEE (CANADA) LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For The Quarter Ended March 31, 2016

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 30, 2016, should be read in conjunction with SPoT's consolidated financial statements for the three months ended March 31, 2016.

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

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

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

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

SPoT Coffee

SPoT designs, builds, operates and franchises community oriented cafés 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

The Company has continued to focus on the new franchise program, the catering program, the loyalty program and the introduction of new product lines. SPoT has strengthened its social media presence by expanding social media channels and other forms of conventional media including radio and print advertisements.

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, the Company's first franchise café, 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, the Company's second franchise café, will be located at 1 Delaware Road in the former George Washington Elementary School, and expected to be open in the summer of 2016.

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.

Results of Operations

Overall Performance

The Company reported gross profit (measured as revenue less cost of sales) of $1,877,489 for the first quarter of 2016, which represents a 42% increase from $1,323,167 for the first quarter of 2015. The Company's gross margins (measured as gross profit over revenue) for the first quarter of 2016 were 63% of total revenue.

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 $136,591 for the first quarter of 2016. The Company had negative Company-wide EBITDA of $7,883 for the first quarter of 2016. 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 $299,285 for the first quarter of 2016. The key drivers behind the net loss in the first quarter of 2016 include a $170,530 non-cash depreciation expense, and $49,959 non-cash debenture accretion expense, a $70,913 loan interest expense. SPoT remained focused on operational execution and expense control during the first quarter of 2016 and believes the continued growth of the Company will offset investments made to centralize overhead costs.

Revenue

The Company's revenue for the first quarter of 2016 increased to $2,969,850 from $1,953,659 compared to the first quarter of 2015.

Cost of Sales

The Company's cost of sales for the first quarter of 2016 increased to $1,092,361 from $630,492 for the first quarter of 2015. The Company has implemented a streamlined system to optimize waste control at the café level.

Operating Expenses

Salaries and wages for the first quarter of 2016 increased to $1,218,126 from $984,947 for the first quarter of 2015. The increase is in line with the Company's overall growth and was driven by café expansion.

Occupancy costs for the first quarter of 2016 increased to $399,260 from $372,136 for the first quarter of 2015. This increase was due to the opening of new cafés and an increase in rent and utilities expenses.

Office and general expenses for the first quarter of 2016 increased to $155,928 from $110,964 for the first quarter of 2015. 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.

Professional and consulting fees for the first quarter of 2016 increased to $49,484 from $43,352 for the first quarter of 2015. 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 first quarter of 2016 decreased to $15,435 from $22,023 compared to the first quarter of 2015. The fees relate to business development and expansion in North America and Middle East.

Interest and bank charges for the first quarter of 2016 increased to $165,322 from $129,545 for the first quarter of 2015. It mainly due to the higher volume in credit card transactions in sales, and an $116,036 debenture interest and accretion expense related to the Company's convertible debenture and long-term debt.

Depreciation costs for the first quarter of 2016 increased to $170,530 from $148,141 for the first quarter of 2015. Depreciation begins when the asset is available for use and capable of operating in the manner intended by management.

Long Term Debt and Other Long Term Commitments

There have been no changes to long-term debt or long-term commitments since December 31, 2015.

Off Balance Sheet Arrangements

As at March 31, 2016, 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.

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Officers	Directors	Total	Officers	Directors	Total
Salaries and wages	$ 63,747	$ 29,700	$ 93,447	$ 58,230	$ 29,700	$ 87,930
Consulting fees	$ -	$ 12,000	$ 12,000	$ -	$ 11,170	$ 11,170
Stock-based compensation	$ 800	$ 911	$ 1,711	$ -	$ -	$ -
	$ 64,547	$ 42,611	$ 107,158	$ 58,230	$ 40,870	$ 99,100

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.

	March 31, 2016	December 31, 2015
Accounts payables and accrued liabilities	$ 371,621	$ 314,420

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 30, 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 period ended March 31, 2016 and December 31, 2015.

Summary of Quarterly Results

There were no dividends paid in the last eight quarters.

	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Revenue from operations	2,969,850	2,588,285	2,459,719	2,317,721	1,953,659	1,522,315	2,312,768	2,354,923
Cost of Sales	1,092,361	782,605	735,603	700,363	630,492	434,416	787,465	804,367
Net Income (Loss)	(299,285)	(204,459)	(323,416)	(274,423)	(488,791)	(2,891,437)	(422,602)	(443,641)
Total assets	2,611,292	2,880,012	2,901,839	2,922,414	3,077,212	3,012,869	5,119,051	5,171,812
Long-term Liabilities	1,091,511	1,106,588	2,349,587	3,009,607	2,969,567	2,906,366	2,797,159	2,729,002