UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-53586

THE PULSE BEVERAGE CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**36-4691531**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

11678 N Huron Street, Northglenn, CO 80234
(Address of principal executive offices, including zip code)

(720) 382-5476
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	**Accelerated filer**	[ ]
Non-accelerated filer	[ ]	**Smaller reporting company**	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] NO [X]

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: **70,674,979** shares of common stock, par value $0.00001, as of August 15, 2016.

THE PULSE BEVERAGE CORPORATION
FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Report on Form 10-Q contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Reference is made in particular to the description of our plans and objectives for future operations, assumptions underlying such plans and objectives, and other forward-looking statements included in this report. Such statements may be identified by the use of forward-looking terminology such as "may," "will," "expect," "believe," "estimate," "anticipate," "intend," "continue," or similar terms, variations of such terms or the negative of such terms. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in the forward-looking statements. Such statements address future events and conditions concerning, among others, capital expenditures, earnings, litigation, regulatory matters, liquidity and capital resources, and accounting matters. Actual results in each case could differ materially from those anticipated in such statements by reason of factors such as future economic conditions, changes in consumer demand, legislative, regulatory and competitive developments in markets in which we operate, results of litigation, and other circumstances affecting anticipated revenues and costs, and the risk factors set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed on March 30 , 201 6 .

YOU SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD LOOKING STATEMENTS

The forward-looking statements made in this report on Form 10-Q relate only to events or information as of the date on which the statements are made in this report on Form 10-Q. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this report and the documents that we reference in this report, including documents referenced by incorporation, completely and with the understanding that our actual future results may be materially different from what we anticipate.

Unless otherwise indicated, in this Form 10-Q, references to "we," "our," "us," the "Company," "Pulse" or the "Registrant" refer to The Pulse Beverage Corporation, a Nevada corporation.

The Pulse Beverage Corporation
Condensed Consolidated Balance Sheets
As of June 30, 2016 (Unaudited) and December 31, 2015

		201 6		201 5
ASSETS				
Current Assets:				
Cash	$	330,449	$	431,270
Accounts receivable, net (Note 3)		688,197		386,462
Inventories (Note 4)		897,746		988,910
Prepaid expenses		57,080		15,461
Total Current Assets		1,973,472		1,822,103
Property and equipment, net of accumulated depreciation of $318 , 440 and $266,099, respectively (Note 5)		212,019		247,235
Intangible assets, net of accumulated amortization of $58 , 950 and $52,682, respectively (Note 5)		1,130,947		1,131,793
Total Assets	$	3,316,438	$	3,201,131
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued expenses	$	1,017,017	$	790,616
Promissory notes payable (Note 6)		109,386		-
Credit card indebtedness		22,022		22,066
Loans payable, net (Note 7)		1,450,000		755,771
Total Current Liabilities		2,598,425		1,568,453
Stockholders' Equity:				
Preferred stock, 1,000,000 shares authorized, $0.001 par value, none issued		-		-
Common stock, 100,000,000 shares authorized, $0.00001 par value 70,674,979 and 68,447,202 issued and outstanding, respectively (Note 9)		707		684
Additional paid-in capital		15,098,011		14,879,160
Accumulated deficit		(14,380,705)		(13,247,166)
Total Stockholders' Equity		718,013		1,632,678
Total Liabilities and Stockholders' Equity	$	3,316,438	$	3,201,131

(See accompanying notes to these unaudited condensed consolidated financial statements)

The Pulse Beverage Corporation
Condensed Consolidated Statements of Operations
Three Months and Six Months Ended June 30, 2016 and 2015
(Unaudited)

	Three Months Ended June 30, 201 6	Three Months Ended June 30, 201 5	Six Months Ended June 30, 201 6	Six Months Ended June 30, 201 5
Gross Sales	$ 1,003,780	$ 1,276,066	$ 1,741,195	$ 2,021,222
Less: Promotional Allowances and Slotting Fees	(50,415)	(76,765)	(98,187)	(117,350)
Net Sales	953,365	1,199,301	1,643,008	1,903,872
Cost of Sales	619,630	790,753	1,083,213	1,281,794
Gross Profit	333,735	408,548	559,795	622,078
Expenses				
Advertising, samples and displays	16,912	20,376	37,239	39,369
Asset impairment	3,183	13,741	8,268	17,846
Freight-out	101,853	120,297	159,253	195,142
General and administration	324,656	298,706	554,781	604,425
Salaries and benefits and broker/agent’s fees	221,634	333,300	502,854	649,563
Stock-based compensation	-	-	3,939	-
Total Operating Expenses	668,238	786,420	1,266,334	1,506,345
Net Operating Loss	(334,503)	(377,872)	(706,539)	(884,267)
Other Income (Expense)				
Interest income (expense), net	(42,016)	21	(72,386)	(421)
Interest expense - amortization of debt issuance costs	(170,964)	-	(250,934)	
Loss from discontinued operations (Note 11)	(28,784)	-	(103,680)	-
Total Other Income (Expense)	(241,764)	21	(427,000)	(421)
Net Loss	$ (576,267)	$ (377,851)	$ (1,133,539)	$ (884,688)
Net Loss Per Share – Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted Average Shares Outstanding – Basic and Diluted	69,915,000	64,606,000	69,301,000	59,692,000

(See accompanying notes to these unaudited condensed consolidated financial statements)

The Pulse Beverage Corporation
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2016 and 2015
(Unaudited)

		201 6		**201 5**
Cash Flow from Operating Activities				
Loss from discontinued operations		(103,680)		-
Loss from ongoing operations		(1,029,859)		(884,688)
Net loss	$	(1,133,539)	$	(884,688)
Adjustments to reconcile net loss to net cash used in operations:				
Amortization and depreciation		58,608		52,333
Asset impairment		8,268		17,846
Bad debt allowance		40,000		1,035
Amortization of deferred financing fees		250,933		-
Shares and options issued for services		81,373		115,000
Reduction of note receivable for services		-		82,800
Changes in operating assets and liabilities:				
(Increase) in accounts receivable		(341,735)		(239,324)
(Increase) decrease in prepaid expenses		(4,118)		8,853
Decrease (increase) in inventories		82,897		(59,710)
Decrease in other current assets		-		7,087
Increase in accounts payable and accrued expenses		260,743		103,797
Net Cash Used in Operating Activities		(696,570)		(794,971)
Cash Flow to Investing Activities				
Purchase of property and equipment		(17,125)		(32,973)
Increase in note receivable		-		(827)
Acquisition of intangible assets		(5,422)		(8,576)
Net Cash Used in Investing Activities		(22,547)		(42,376)
Cash Flow from Financing Activities				
Proceeds from loans, net of debt issuance costs		763,360		-
Repayment of loans payable		(145,064)		-
Proceeds from the sale of common stock, net of costs		-		905,000
Net Cash Provided by Financing Activities		618,296		905,000
(Decrease) Increase in Cash		(100,821)		67,653
Cash - Beginning of Period		431,270		49,517
Cash - End of Period	$	330,449		117,170
Non-Cash Financing and Investing Activities:				
Shares issued for prepaid services	$	37,500	$	-
Shares issued to settle debt	$	100,000	$	30,000
Supplemental Disclosures:				
Interest paid	$	65,470	$	-
Income taxes paid		-		-

(See accompanying notes to these unaudited condensed consolidated financial statements)

1. Nature of Operations

Darlington Mines Ltd. ("Darlington") was incorporated in the State of Nevada on August 23, 2006. On February 15, 2011 Darlington Mines Ltd. closed a voluntary share exchange transaction with a private Colorado company, The Pulse Beverage Corporation, which was formed on March 17, 2010. The Pulse Beverage Corporation became a wholly-owned subsidiary. On February 16, 2011 Darlington's name was changed to "The Pulse Beverage Corporation".

We manufacture and distribute Natural Cabana® Lemonade, Limeade and Coconut Water and PULSE® Heart & Body Health functional beverages. Our products are distributed nationwide primarily through a series of distribution agreements with various independent local and regional distributors and on a warehouse direct basis with major retail chain stores. Our products are also distributed internationally in Canada, China and Mexico.

As of June 30, 2016, we had cash of $330,449 and a working capital deficiency of $624,953. On March 22, 2016, we entered into Amendment No. 1 to the Senior Secured Revolving Credit Facility Agreement (the "Amended Credit Facility") whereby we were approved for an additional $1,000,000 loan under the Amended Credit Facility having the same terms as the initial $900,000 loan. The Amended and Restated Senior Secured Revolving Convertible Promissory Note matures November 6, 2016 unless extended by the Lender. During the six months ended June 30, 2016 we received gross proceeds of $850,000 less transaction costs of $86,640 for net proceeds of $763,360. In connection with this additional loan, we agreed to issue 10,558,069 shares of our restricted common stock to the Lender as an Advisory Fee. Notwithstanding the above, the Lender is restricted from receiving these shares to the extent that, after giving effect to the receipt of the shares, the Lender would beneficially own more than 4.99% of our common stock. Any shares not issued as a result of this limitation will be issued at a later date, and from time to time, when the issuance of these will not result in the Lender beneficially owning more than 4.99% of our common stock. We have the right to repurchase these shares by paying $350,000 to the Lender on or before September 22, 2016.

We intend to continually monitor and adjust our business plan as necessary to respond to developments in our business, our markets and the broader economy. As of August 15, 2016 we believe our cash on hand, available working capital, credit facility and equity financing alternatives will be made available to us to support our working capital needs through to June 30, 2017 which we believe, is sufficient to alleviate the uncertainties relating to our ability to successfully execute on our business plan and finance our operations through June 30, 2017. These alternatives may require significant cash payments for interest and other costs which could be highly dilutive to our existing shareholders. Our financial statements for the periods presented were prepared assuming we will continue in operation for the foreseeable future and will be able to realize assets and settle liabilities and commitments in the normal course of business.

2. Summary of Significant Accounting Policies

Basis of presentation and consolidation

The interim unaudited condensed consolidated financial statements for the three months and six months ended June 30, 2016 and 2015 have been prepared in accordance with accounting principles generally accepted in the United States. Our fiscal year end is on December 31st. These financial statements include our accounts and the accounts of our wholly-owned subsidiaries, Natural Cabana SA de CV (A Mexico Subsidiary) and Natural Cabana Distribution Inc. (A US Subsidiary discontinued on May 31, 2016. See Note 11).

The foregoing unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information using the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these condensed consolidated financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included on Form 10-K for the year ended December 31, 2015. In our opinion, the unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented.

Operating results for the three months and six months ended June 30, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. We regularly evaluate estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation, and deferred income tax asset valuation allowances. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments as to the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Cash and Cash Equivalents

We maintain cash balances with financial institutions that may exceed federally insured limits. We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash invested in money market accounts. As of June 30, 2016 and December 31, 2015, there were no cash equivalents. We place our cash and temporary cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit of $250,000. As of June 30, 2016 and December 31, 2015, we exceeded insurance limits by $nil and $86,711, respectively.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Ownership and title of our products pass to customers upon delivery of the products to customers. Certain of our distributors may also perform a separate function as a co-packer on our behalf. In such cases, ownership of and title to our products that are co-packed on our behalf by those co-packers who are also distributors, passes to such distributors when we are notified by them that they have taken transfer or possession of the relevant portion of our finished goods. Net sales have been determined after deduction of discounts, slotting fees and other promotional allowances in accordance with ASC 605-50. All sales to distributors and customers are final; however, in limited instances, due to product quality issues or distributor terminations, we may accept returned product. To date, such returns have been de minimis.

Seasonality

Our sales are seasonal and we experience fluctuations in quarterly results as a result of many factors. Historically, we have generated a higher percentage of our revenues during the warm weather months of April through September. Timing of customer purchases will vary each year and sales can be expected to shift from one quarter to another. As a result, we believe that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance or results expected for the entire fiscal year.

Recent Pronouncements

We continually assess any new accounting pronouncements to determine their applicability to our operations and financial reporting. Where it is determined that a new accounting pronouncement affects our financial reporting, we undertake a study to determine the consequence of the change to our financial statements and assure that there are proper controls in place to ascertain that our financial statements properly reflect the change.

During the first quarter of 2015, we adopted FASB's guidance on reporting discontinued operations and disclosures of disposals of components of an entity. This standard raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The guidance is effective for annual reporting periods ending after December 15, 2014. Early adoption was permitted but only for disposals that have not been reported in financial statements previously issued. The adoption of this guidance has not had a material impact on our financial position, results of operations or cash flows.

During the fourth quarter of 2015, we adopted ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, and amortization of those costs should be reported as interest expense. This ASU is effective for annual and interim periods beginning after December 15, 2015, and early adoption is permitted for financial statements that have not been previously issued. The new guidance should be applied on a retrospective basis for each period presented in the balance sheet. We adopted this change concurrently with our senior secured revolving loan together with related costs during the fourth quarter of 2015.

In November 2015, the FASB issued (ASU) 2015-17, "Balance Sheet Classification of Deferred Taxes . " Currently deferred taxes for each tax jurisdiction are presented as a net current asset or liability and a net noncurrent asset or liability on the balance sheet. To simplify the presentation, the new guidance requires that deferred tax liabilities and assets for all jurisdictions along with any related valuation allowances be classified as noncurrent in our consolidated balance sheet. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. We have adopted this guidance in the fourth quarter of the year ended December 31, 2015 on a retrospective basis. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows, and did not have any effect on prior periods due to the full valuation allowance against our net deferred tax assets.

In November 2014, the FASB issued ASU 2014-16, "Derivatives and Hedging (Topic 815)." Entities commonly raise capital by issuing different classes of shares, including preferred stock, that entitle the holders to certain preferences and rights over the other shareholders. The specific terms of those shares may include conversion rights, redemption rights, voting rights, and liquidation and dividend payment preferences, among other features. One or more of those features may meet the definition of a derivative under GAAP. Shares that include such embedded derivative features are referred to as hybrid financial instruments. The objective of this update is to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. We adopted this guidance in the first quarter 2016. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows .

In April 2015, the FASB issued ASU 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which provides guidance about whether a cloud computing arrangement includes a software license. It also provides guidance related to a customer's accounting for fees paid in a cloud computing arrangement. This standard provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015, and early adoption is permitted. We adopted this guidance on January 1, 2016. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Further, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, and early adoption is permitted. The new guidance should be applied on a retrospective basis to all periods presented. We adopted this guidance on January 1, 2016. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement –Period Adjustments . ” Changes to the accounting for measurement-period adjustments relate to business combinations. Currently, an acquiring entity is required to retrospectively adjust the balance sheet amounts of the acquired business recognized at the acquisition date with a corresponding adjustment to goodwill as a result of changes made to the balance sheet amounts of the acquired business. The measurement period is the period after the acquisition date during which the acquirer may adjust the balance sheet amounts recognized for a business combination (generally up to one year from the date of acquisition). The changes eliminate the requirement to make such retrospective adjustments, and, instead require the acquiring entity to record these adjustments in the reporting period they are determined. The new standard is effective for both public and private companies for periods beginning after December 15, 2015. We adopted this guidance in the first quarter 2016. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

Recent Accounting Pronouncements Issued But Not Adopted as of June 30, 2016

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using the last-in, first-out ("LIFO") method. This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. We do not expect the adoption of this guidance to have an impact on our consolidated financial statements.

In January 2016, the FASB issued an accounting standard update which requires, among other things, that entities measure equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value, with changes in fair value recognized in earnings. Under the standard, entities will no longer be able to recognize unrealized holding gains and losses on equity securities classified today as available for sale as a component of other comprehensive income. For equity investments without readily determinable fair values the cost method of accounting is also eliminated, however subject to certain exceptions, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment and plus or minus adjustments for observable price changes, with all such changes recognized in earnings. This new standard does not change the guidance for classifying and measuring investments in debt securities and loans. The standard is effective for us on July 1, 2018 (the first quarter of our 2019 fiscal year). We are currently evaluating the anticipated impact of this standard on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Topic 842 affects any entity that enters into a lease, with some specified scope exemptions. The guidance in this Update supersedes Topic 840, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For public companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of adopting ASU No. 2016-02 on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. ASU 2016-08 clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer and provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date for ASU 2016-08 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. We have not yet determined the impact of ASU 2016-08 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation, or ASU No. 2016-09. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. We are currently evaluating the impact of adopting ASU No. 2016-09 on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* , which provides further guidance on identifying performance obligations and improves the operability and understandability of licensing implementation guidance. The effective date for ASU 2016-10 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. We have not yet determined the impact of ASU 2016-10 on our consolidated financial statements.

3. Accounts Receivable

Accounts receivable consists of the following as of:		June 30, 2016 (Unaudited)		December 31, 2015
Trade accounts receivable	$	868,121	$	534,727
Less: Allowance for doubtful accounts		(182,756)		(156,090)
Trade accounts receivable - net		685,365		378,637
Value added tax recoverable		2,832		2,290
Due from suppliers of services		-		5,535
Total accounts receivable, net of allowance	$	688,197	$	386,462

4. Inventories

Inventories consists of the following:		June 30, 2016 (Unaudited)		December 31, 2015
Finished goods	$	243,294	$	344,764
Raw materials		629,399		644,146
Inventory deposit		25,053		-
Total inventory	$	897,746	$	988,910

5. Property and Equipment and Intangible Assets

Property and equipment consists of:		June 30, 2016 (Unaudited)		December 31, 2015
Manufacturing, warehouse, display equipment and molds	$	354,378	$	337,253
Office equipment and furniture		41,581		41,581
Mobile display unit and vehicles		134,500		134,500
Less: depreciation		(318,440)		(266,099)
Total property and equipment	$	212,019	$	247,235

Depreciation expense for the three months ended June 30, 2016 and 2015 was $26,453, and $23,432, respectively and for the six months ended June 30, 2016 and 2015 was $52,341 and $45,490, respectively.

Intangible assets consists of:	June 30, 2016 (Unaudited)	December 31, 2015
Formulations, rights and patents	$ 969,696	$ 969,696
Website	62,675	62,675
Less: amortization	(58,950)	(52,682)
Trademarks – not amortized due to indefinite life	157,526	152,104
Total intangible assets	$ 1,130,947	$ 1,131,793

Amortization expense for the three months ended June 30, 2016 and 2015 was $3,134 and $3,710, respectively and for the six months ended June 30, 2016 and 2015 was $6,267 and $6,843, respectively.

6. Promissory Notes Payable

On June 30, 2016 we negotiated settlements with two freight vendors by issuing promissory notes for a total of $109,386. These notes are unsecured as follows:

a) Promissory Note #1 - $83,472 repayable in escalating monthly instalments starting July 24, 2016 and ending June 24, 2017 until paid. Interest is at 10%; and

b) Promissory Note #2 - $25,914 repayable $500 per month without interest.

7. Loans Payable

Loans payable consists of the following:	June 30, 2016 (Unaudited)	December 31, 2015
Short-term loan – (a) below	$ 14,897	$ 15,000
Short-term loan – related party – (a) below	129,000	130,000
Total short-term loans	143,897	145,000
Senior Secured Revolving Note – (b) below	1,550,080	844,040
Less: unamortized debt issuance costs	(243,977)	(233,269)
Net carrying value	1,306,103	610,771
Total loans payable	$ 1,450,000	$ 755,771

a) I n September, 2015 we received short-term loans totaling $145,000 of which $130,000 was received from a family trust of our Chief Executive Officer. These loans are unsecured and are due on demand. Interest of $2,676 has been accrued at June 30, 2016 and included in accrued expenses. As of August 15, 2016 no demand for repayment has been received.

b) On November 6, 2015, we entered into a Credit Agreement with TCA Global Credit Master Fund, LP (the "Lender"). Under the terms of the Credit Agreement, the Lender has committed to lend a total of $3,500,000 (the "Credit Facility") to us pursuant to a senior secured revolving note (the "Note"). The initial tranche of $650,000 was funded on November 6, 2015 and a second tranche of $250,000 was funded on December 22, 2015 for a total of $900,000 advanced against this Credit Facility. This loan matures on November 6, 2016 unless extended by the Lender. We must meet specific monthly collateral requirements to further draw upon the Credit Facility. The Credit Facility is secured by a senior secured interest in all of our assets. We are charged a 12% per annum rate of interest plus a 6% per annum administration fee on the daily loan balance outstanding. Repayment terms are 20% of gross receipts. Associated with the closing of the Credit Facility we incurred $281,230 of debt issuance costs which is being amortized to interest expense over the term of the loan to November 6, 2016. The Lender has the right, in the Event of Default, to convert any outstanding amounts under the Note into restricted shares of the Company's common stock based on 85% of the weighted value average price of our common shares over the prior 5 trading days prior to conversion. However, the Lender may not convert any portion of the Note to the extent that after giving effect to the shares which would be received on conversion, the Lender would beneficially own more than 4.99% of our common stock. In connection with the Credit Facility, we are obligated to pay a $150,000 facility fee which is included in accounts payable and accrued liabilities. As security for this fee we issued 3,000,000 shares of restricted common stock to the Lender who has the right to sell enough shares to recover its fee. These shares are issued and outstanding as of June 30, 2016, however, the value will be recognized as the related liability is extinguished. Any excess shares not sold by the Lender will be returned to us for cancellation. The right to repurchase these shares has expired.

On March 22, 2016, we entered into Amendment No. 1 to the Senior Secured Revolving Credit Facility Agreement (the "Amended Credit Facility") whereby we were approved for an additional $1,000,000 loan having the same terms as the initial $900,000 loan described above. The Amended and Restated Senior Secured Revolving Convertible Promissory Note matures November 6, 2016 unless extended by the Lender. During the six months ended June 30, 2016 we received gross proceeds of $850,000 less transaction costs of $86,640 for net proceeds of $763,360. In connection with this additional loan, we agreed to issue 10,558,069 shares of our restricted common stock to the Lender as an Advisory Fee. Notwithstanding the above, the Lender is restricted from receiving these shares to the extent that, after giving effect to the receipt of the shares, the Lender would beneficially own more than 4.99% of our common stock. Any shares not issued as a result of this limitation will be issued at a later date, and from time to time, when the issuance of these will not result in the Lender beneficially owning more than 4.99% of our common stock. We have the right to repurchase these shares by paying $350,000 to the Lender on or before September 22, 2016.

8. Stock-based Compensation

There is no unrecorded stock-based compensation to record in a future period.

9. Common Stock

We have 100,000,000 shares of common stock authorized at a par value of $0.00001. On July 7, 2016 we filed Amendment #1 to our Schedule 14A Information Proxy Statement filed pursuant to Section 14 (a) of the Securities Exchange Act of 1934 to approve an amendment to our Articles of Incorporation such that we would be authorized to issue up to 500,000,000 shares of common stock.

Equity transactions d uring the six months ended June 30, 2016:

a) On January 31, 2016 we issued 238,889 common shares and on February 29, 2016 we issued 238,889 common shares having an aggregate fair value of $40,611 pursuant to an employment contract with an officer/director. This contract expired on March 8, 2016 and pursuant to the contract the officer/director is to return 50% of shares issued. A total of 210,548 shares are to be returned for cancellation. These shares were valued at $0.08 per share or $16,844 in total which amount was deducted from additional paid in capital;

b) On April 12, 2016 we issued 50,000 common shares to a former Advisory Board Member for the past use of her name on our website. The value of these shares being $3,875 was charged to operations during the three months ended June 30, 2016;

c) On May 5 and June 7, 2016 we issued 1,000,000 common shares and 200,000 common shares, respectively, to settle $120,000 of creditor debt. These shares were valued at $0.10 based on a negotiated settlement price dated April 21, 2016;

d) During the three months ended June 30, 2016 we issued a total of 250,000 common shares at an average fair value of $0.12 per share to a service provider pursuant to a Consultant Agreement dated April 11, 2016. The aggregate value of these shares, being $29,792, was charged to operations during the three months ended June 30, 2016. We are committed to issuing an additional 250,000 shares on or before September 11, 2016; and

e) On May 11, 2016 we issued 250,000 common shares at $0.15 per share to a service provider pursuant to a Strategic Advisory and Services Agreement. These shares were valued at the 5 days weight average price prior to issuance. The service provider is to source new equity or debt capital, as such, the value of these shares, being $37,500, has been included in prepaid expenses to be deducted from proceeds of a future financing or charged to operations should a financing not be completed.

Equity transactions during the six months ended June 30, 2015:

a) On March 27, 2015 we sold 10,050,000 Units at $0.10 per Unit for cash proceeds of $1,005,000 of which $100,000 was received as at December 31, 2014, $860,000 was received in cash and $45,000 was shares for debt. On May 27, 2015 we sold 750,000 Units at $0.10 per Unit for cash proceeds of $45,000, and debt settlement of $30,000. Each Unit consisted of one share of restricted common stock and one-half of a warrant. Each whole warrant allows the holder to purchase one additional share at a price of $0.20 per share at any time between March 10, 2016 and May 27, 2016.

10. Warrants

At June 30, 2016 we had 4,664,997 common stock purchases warrants outstanding having an average exercise price of $0.52 per common share and having an average expiration date of .58 years. During the six months ended June 30, 2016 warrants to acquire 16,415,083 common shares expired unexercised.

11. Loss from Discontinued Operations

During February, 2016 we began our own Southern California distributorship, Natural Cabana Distribution Inc. Through this subsidiary we began selling Natural Cabana® Lemonades/Limeades and Coconut Waters to existing accounts in Southern California while we searched for a suitable independent large distributorship in the area to replace our former distributor. We made this strategic decision in order to maintain existing regional retail accounts in the area. On May 31, 2016 we discontinued this temporary operation and moved our ongoing business to a large independent distributor.

During the three months ended June 30, 2016 we received $20,838 of net revenue for this project. Cost of sales was $15,400 for a gross profit of $5,438. We incurred expenses of $11,153 and recorded a bad debt of $23,069. Our net loss from discontinued operations for the three months ended June 30, 2016 was $28,784.

During the six months ended June 30, 2016 we received $73,740 of net revenue for this project. Cost of sales was $59,627 for a gross profit of $14,113. We incurred expenses of $94,724 and recorded a bad debt of $23,069. Our net loss from discontinued operations for the six months ended June 30, 2016 was $103,680 which also represents negative operating cash flow from discontinued operations.

12. Subsequent Events

We evaluated all subsequent events through the date these financial statements were issued and determined that there are no subsequent events to record or disclose.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015

The discussion that follows is derived from our interim unaudited Condensed Consolidated Statements of Operations for the three months ended June 30, 2016 ("Q2-2016") and 2015 ("Q2-2015").

Statement s of Operations

		Q2-201 6		Q2-2 01 5		Effect on Profitability + (-)
Gross Sales	$	1,003,780	$	1,276,066	$	(272,286)
Less: Promotional allowances and slotting fees		(50,416)		(76,765)		26,349
Net Sales		953,364		1,199,301		(245,937)
Cost of Sales		619,630		790,753		171,123
Gross Profit		333,735		408,548		(74,813)
Expenses						
Advertising, samples and displays		16,912		20,376		3,464
Asset impairment		3,183		13,741		10,558
Freight-out		101,853		120,297		18,444
General and administration		324,656		298,706		(25,950)
Salaries and benefits and broker/agent's fees		221,634		333,300		111,666
Stock-based compensation		-		-		-
Total Operating Expenses		668,238		786,420		118,182
Net Operating Loss		(334,503)		(377,872)		43,369
Other Income (Expense)						
Interest income (expense), net		(42,016)		21		(42,037)
Interest expense - amortization of debt issuance costs		(170,964)		-		(170,964)
Loss from discontinued operations		(28,784)		-		(28,784)
Total Other Income (Expense)		(241,764)		21		(241,785)
Net Loss	$	(576,267)	$	(377,851)	$	(198,416)

Net Sales

We introduced Natural Cabana® Lemonade in 2012 and since then have developed a multi-national comprehensive distribution system in 47 States, Canada, Mexico, and China. From a high of 150 distributors we have eliminated a number of weaker, non-performing and slow-paying distributors and now have more than 70 distributors and 20 wholesalers. This was a strategic decision as we moved our sales model concentration from direct store delivery through distributors to warehouse direct to retail. This strategic decision was to reduce overall fixed expenses associated with direct store delivery distributors. The decrease in net sales was expected in order to grow net sales from a more profitable fixed expense base and to increase sales prices, reduce promotional programs, reduce freight-out which will dramatically increase our contribution margin. Although we expected sales to decline, as discussed above, our net revenue declined over and above our expectations due to timing of new store sets and deliveries to these stores. We expect this timing difference to reverse during Q3-2016.

Some of the more notable regional and national grocery and convenience chain stores are: Albertsons/Safeway, Walmart, Kroger/Fred Meyer/Ralphs, Kmart, Circle K, Walgreens, 7-Eleven, Whole Foods, H-E-B, Hy-Vee Supermarket, Save Mart Supermarkets, Hannaford, Food City, Raley's Supermarkets, Price Chopper Supermarkets, WinCo Foods, and Gelson's Supermarket.

We have been in operation with our first product, Natural Cabana® Lemonade, for almost four years. We expanded this brand into Limeade, which started selling in January, 2014, and into Coconut Water, which started selling in March, 2014.

We currently develop, produce, market, sell and distribute our brands through our strategic regional and international distribution system, which includes over 85% Class "A" distributors and wholesalers such as Sysco, The Sygma Network, UNFI and distributors for Anheuser Busch, Miller Coors, Pepsi, Coca-Cola, RC/7-Up and Cadbury Schweppes.

During Q2-2016 our aggregate gross revenues compared to Q2-2015 decreased by $272,286 to $1,003,780 (Q2-2015 - $1,276,066).

During Q2-2016 gross revenues, on sale of 69,408 cases (Q2-2015 – 91,404 cases) of Natural Cabana® Lemonade/Limeade, declined by $251,731 to $824,517 (Q2-2015 - $1,076,248).

During Q2-2016 we introduced our Lemonade/Limeade formula in a 16.9oz glass bottle package under a control brand label "Citrus tree". During Q2-2016 we sold 1,152 cases for net sales of $14,918.

During Q2-2016 gross revenues, on sale of 14,656 cases (Q2-2015 – 14,200 cases) of Natural Cabana® Coconut Water, decreased by $6,747 to $164,345 (Q2-2015 - $171,092). We introduced a smaller 11.2oz six-pack coconut water which some big box retailers find easier to sell; this should increase net sales during the remainder of 2016.

During Q2-2016 gross revenues, on sale of nil cases (Q2-2015 – 1,448 cases) of PULSE® Heart & Body Health, decreased by $28,725 to $nil (Q2-2015 - $28,725). We are planning to repackage PULSE Heart & Body Health into a more attractive package and re-introducing this brand into the Southern California marketplace. As the cost to re-introduce is high we are timing it with a large equity financing to ensure we have enough funding to successfully re-introduce this product.

During Q2-2016 our aggregate net sales, after promotional allowances and slotting fees, decreased by $245,937 to $953,364 (Q2-2015 - $1,199,301). During Q2-2016, promotional allowances and slotting fees, decreased by $26,349 to $50,416 (Q2-2015 - $76,765). As a percentage of gross sales, promotional allowances and slotting fees decreased to 5% (Q2-2015 – 6%).

Due to changes in food laws in Mexico during the process of shipping product from Asia, we spent Q2-2016 overlaying the existing label with a new information label. This has delayed the reorder in Mexico until Q3-2016. As at June 30, 2016 the relabeling was completed by our distributor, Café El Marino, who began distribution of Natural Cabana® Coconut Water to more than 3,000 stores in Mexico including: Soriana, 7-Eleven, Calimax, Circlulo K, Dax, Smart & Final, and Farmacia Roma. We are planning to introduce a Natural Cabana® Lemonade/Limeade ("Limonada") in a 16.9oz glass "PULSE bottle" format for the Mexico market later in 2016 once our relationship with Café El Marino is solidified.

Due to seasonality, net revenue fluctuates from quarter to quarter.

Cost of Sales

During Q2-2016 cost of sales decreased by $171,123 to $619,630 (Q2-2015 – $790,753). As a percentage of net revenue, cost of sales for Q2-2016 decreased 1% to 65% (Q2-2015 – 66%). The decrease in cost of sales was due to the decrease in net revenue. We expect cost of sales for the production of Natural Cabana® Lemonade/Limeade to remain stable throughout 2016 due to fairly stable raw material costs. We expect cost of sales for Natural Cabana® Coconut Water to significantly reduce due to the lower cost of coconut water sourced from our new Asian manufacturer and lower ocean-shipping costs.

Gross Profit

During Q2-2016 gross profit decreased by $74,813 to $333,735 (Q2-2015 - $408,548). Gross profit for Q2-2016, as a percent of net sales, increased 1% to 35% (Q2-2015 – 34%). Gross profit decreased due to lower sales which was expected due to eliminating a number of weaker distributors and our strategic decision to concentrate on warehouse direct to retail. We expect gross profit for the sale of Natural Cabana® Lemonade/Limeade to remain stable throughout 2016 due to fairly stable sales prices, promotional programs and raw material costs. We expect gross profit for Natural Cabana® Coconut Water to significantly increase due to the lower cost of coconut water sourced from our new Asian manufacturer and lower ocean-shipping costs. We also expect an increase in gross profit as we re-introduce PULSE®, a higher margin brand. We expect all of these factors to have a positive effect on our gross profit.

Expenses

Advertising, samples and displays

This expense includes in-store sampling, samples shipped to distributors, display racks, ice barrels, sell sheets, shelf strips and door decals. During Q2-2016 advertising, samples and displays expense decreased by $3,464 to $16,912 (Q2-2015 - 20,376). As a percentage of net sales, this expense remained the same at 1.7%. We expect this variable expense to increase in proportion to increases in sales mainly due to the expansion of Natural Cabana® Coconut Water and the re-introduction of PULSE® Heart & Body Health functional beverages and due to an overall increase in distribution reach both in the United States and internationally.

Freight-out

During Q2-2016, freight-out decreased by $18,444 to $101,853 (Q2-2015 - $120,297). On a per case basis freight-out increased by $0.08 per case to $1.20 (Q2-2015 - $1.12). This increase is due to the location of shipping points which is sometimes outside of our control. We expect freight-out, on a per case basis, to decrease due to lower transportation costs in the United States and due to shipping directly to warehouses versus to numerous distributors. Additionally, there will be limited freight-out charges associated with delivering our products to our Mexico distributor at the ports of entry in Mexico and our China distributor receiving our products at the port of exit in the United States.

Contribution to fixed expenses

Beverage companies are often compared on a contribution to fixed expense basis which is calculated as gross profit less variable costs such as advertising, samples and displays and freight-out. This line item is not GAAP and therefore it is not disclosed separately in our financial statements. During Q2-2016 contribution to fixed expense decreased by $52,904 to $214,970 (Q2-2015 - $267,874). As a percentage of net sales, contribution margin increased by .21% to 22.55% (Q2-2015 – 22.34%). Contribution margin has steadily increased quarter over quarter as we move from direct store delivery to warehouse direct to retail and we expect contribution to fixed expenses to increase as we complete our strategic decision to move towards warehouse direct to retail.

Asset impairment

During Q2-2016 asset impairment expense decreased by $10,558 to $3,183 goods (Q2-2015 - $13,741). During Q2-2016 we incurred an impairment due to the expiry of finished goods .

General and administrative

General and administration expenses for Q2-2016 and Q2-2015 consist of the following:

	Q2-2016	Q2-2015	Effect on Profitability + (-)
Advisory and consulting fees	$ 30,125	$ 27,500	$ (2,625)
Amortization and depreciation	29,587	27,141	(2,446)
Bad debts	40,000	1,035	(38,965)
Legal, professional and regulatory fees	52,151	13,707	(38,444)
Office, rent and telephone	68,701	73,167	4,466
Shareholder, broker and investor relations	56,244	68,076	11,832
Travel, meals and trade shows	47,848	88,080	40,232
	$ 324,656	$ 298,706	$ (25,950)

During Q2-2016, general and administrative expenses increased by $25,950 to $324,656 (Q2-2015 - $298,706). Shareholder, broker and investor relations decreased by $11,832 to $56,244 (Q2-2015 - $68,076). During Q2-2015 we incurred an expense of $57,500 attributable to the value of common shares issued to a consultant in a prior period. Starting in April, 2016 we hired an investor relations consultant and paid them $12,000 cash and 250,000 shares (valued at $29,792) during the period. Legal, professional and regulatory fees increased by $38,444 to $52,151 (Q2-2015 - $13,707) due to the timing of an audit fee of $22,000 and due to increased use of our SEC counsel during the period. Travel, meals and trade shows decreased by $40,232 to $47,848 (Q2-2015 - $88,080) due to a strategic reduction. Office, rent and telephone decreased by $4,466 to $68,701 (Q2-2015 - $73,167) a strategic reduction of $23,297 in office costs offset by administration/collection fees of $18,831 incurred associated with the TCA loan. During Q2-2016 we provided $40,000 as an allowance for a doubtful account in Mexico.

Salaries and benefits and broker/agent's fees

During Q2-2016 salaries and benefits and broker/agent's fees decreased by $111,666 to $221,634 (Q2-2015 - $333,300). We rationalized the number and placement of salespeople in the field as we moved our business concentration from direct store delivery through distributors to warehouse direct to retailers . This reduced the number of salespeople needed. We concentrated on warehouse direct sales, chain store listings and international expansion which is where we see the majority of our growth coming from. These areas of future growth are generally handled by our two senior officers. Going into the remainder of 2016 we expect this cost to be less than $200,000 per quarter.

Stock-based compensation

We have no further unrecognized stock-based compensation cost to record.

Net Operating Loss

Net operating loss for Q2-2016 decreased by $43,369 to $334,503 (Q2-2015 - $377,872). Offsetting the $74,813 decline in gross profit was an overall reduction of expenses of $118,182. We made a strategic decision to stream-line our operations as discussed under net sales above in order for us to reach profitability sooner and grow from a more solid base of business.

Other Income (Expense)

Interest Income (Expense), net

During Q2-2016 we incurred interest expense of $42,016 (Q2-2015 - interest income, net of expense of $21). During Q2-2016 we incurred interest expense of $3,625 on short-term loans , $730 on credit card debt, and $37,661 on our revolving TCA loan balance.

Interest Expense – amortization of debt issuance costs

A total of $542,870 of debt issuance costs were incurred associated with the closing of the Credit Facility discussed in Note 7 to our financial statements. Pursuant to ASU 2015-3 these costs are being amortized to interest expense over the term of the loan to November 6, 2016. A total of $170,964 was charged to interest expense during Q2-2016.

Loss from Discontinued Operations

During February, 2016 we began our own Southern California distributorship, Natural Cabana Distribution Inc. Through this subsidiary we began selling Natural Cabana® Lemonades/Limeades and Coconut Waters to existing accounts in Southern California while we searched for a suitable independent large distributorship in the area to replace our former distributor. We made this strategic decision in order to maintain existing regional retail accounts in the area. On May 31, 2016 we discontinued this temporary operation and moved our ongoing business to a large independent distributor. During Q2-2016 we received $20,838 of net revenue. Cost of sales was $15,400 for a gross profit of $5,438. We incurred expenses of $11,153 and recorded a bad debt of $23,069. Our net loss from discontinued operations for Q2-2016 was $28,784.

Net Loss

Net loss, after interest expense and loss from discontinued operations, for Q2-2016 increased by $198,416 to $576,267 ($0.01 per share), compared with a net loss for Q2-2015 of $377,851 ($0.01 per share). This increase was due to TCA interest and amortization of debt issuance costs totalling $170,964 (Q2-2015 - $nil). We also incurred a loss from discontinued operations of $28,784 (2015 - $nil).

Non-GAAP financial information not disclosed in the financial statements

During Q2-2016 our net loss, after adjustments to bring GAAP to net loss before corporation income taxes, depreciation and amortization, stock-based compensation and one-time charges (Adjusted EBITDA), increased by $77,348 to $694,357 (Q2-2015 - $615,674).

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

The discussion that follows is derived from our interim unaudited Condensed Consolidated Statements of Operations for the six months ended June 30, 2016 ("YTD-2016") and 2015 ("YTD-2015").

Statement s of Operations

	YTD- 201 6	YTD-2 01 5	Effect on Profitability + (-)
Gross Sales	$ 1,741,195	$ 2,021,222	$ (280,027)
Less: Promotional allowances and slotting fees	(98,187)	(117,350)	19,163
Net Sales	1,643,008	1,903,872	(260,864)
Cost of Sales	1,083,213	1,281,794	198,581
Gross Profit	559,795	622,078	(62,283)
Expenses			
Advertising, samples and displays	37,239	39,369	2,130
Asset impairment	8,268	17,846	9,578
Freight-out	159,253	195,142	35,889
General and administration	554,781	604,425	49,644
Salaries and benefits and broker/agent's fees	502,854	649,563	146,709
Stock-based compensation	3,939	-	(3,939)
Total Operating Expenses	1,266,334	1,506,345	240,011
Net Operating Loss	(706,539)	(884,267)	177,728
Other Income (Expense)			
Interest income (expense), net	(72,386)	(421)	(71,965)
Interest expense – amortization of debt issuance costs	(250,934)	-	(250,934)
Loss from discontinued operations	(103,680)	-	(103,680)
Total Other Income (Expense)	(427,000)	(421)	(426,579)
Net Loss	$ (1,133,539)	$ (884,688)	$ (248,851)

Net Sales

We introduced Natural Cabana® Lemonade in 2012 and since then have developed a multi-national comprehensive distribution system in 47 States, Canada, Mexico, and China. From a high of 150 distributors we have eliminated a number of weaker, non-performing and slow-paying distributors and now have more than 70 distributors and 20 wholesalers. This was a strategic decision as we moved our sales model concentration from direct store delivery through distributors to warehouse direct to retail. This strategic decision was to reduce overall fixed expenses associated with direct store delivery distributors. The decrease in net sales was expected in order to grow net sales from a more profitable fixed expense base and to increase sales prices, reduce promotional programs, reduce freight-out which will dramatically increase our contribution margin. Although we expected sales to decline, as discussed above, our net revenue declined over and above our expectations due to timing of new store sets and deliveries to these stores. We expect this timing difference to reverse during the remainder of 2016.

Some of the more notable regional and national grocery and convenience chain stores are: Albertsons/Safeway, Walmart, Kroger/Fred Meyer/Ralphs, Kmart, Circle K, Walgreens, 7-Eleven, Whole Foods, H-E-B, Hy-Vee Supermarket, Save Mart Supermarkets, Hannaford, Food City, Raley's Supermarkets, Price Chopper Supermarkets, WinCo Foods, and Gelson’s Supermarket.

We have been in operation with our first product, Natural Cabana® Lemonade, for almost four years. We expanded this brand into Limeade, which started selling in January, 2014, and into Coconut Water, which started selling in March, 2014.

We currently develop, produce, market, sell and distribute our brands through our strategic regional and international distribution system, which includes over 85% Class “A” distributors and wholesalers such as Sysco, The Sygma Network, UNFI and distributors for Anheuser Busch, Miller Coors, Pepsi, Coca-Cola, RC/7-Up and Cadbury Schweppes.

During YTD-2016 our aggregate gross revenues decreased by $280,027 to $1,741,195 (YTD-2015 - $2,021,222).

During YTD-2016 gross revenues, on sale of 120,046 cases (YTD-2015 – 146,509 cases) of Natural Cabana® Lemonade/Limeade, declined by $283,980 to $1,430,288 (YTD-2015 - $1,714,268).

During YTD-2016 we introduced our Lemonade/Limeade formula in a 16.9oz glass bottle package under a control brand label “Citrus tree”. During YTD-2016 we sold 1,152 cases for net sales of $14,918.

During YTD-2016 gross revenues, on sale of 28,002 cases (YTD-2015 – 24,738 cases) of Natural Cabana® Coconut Water, increased by $17,759 to $295,988 (YTD-2015 - $278,229). We introduced a smaller 11.2oz six-pack coconut water which some big box retailers find easier to sell; this should increase net sales during the remainder of 2016.

During YTD-2016 gross revenues, on sale of nil cases (YTD-2015 – 1,465 cases) of PULSE® Heart & Body Health, decreased by $29,194 to $nil (YTD-2015 - $29,194). We are planning to repackage PULSE Heart & Body Health into a more attractive package and re-introducing this brand into the Southern California marketplace. As the cost to re-introduce is high we are timing it with a large equity financing to ensure we have enough funding to successfully re-introduce this product.

During YTD-2016 our aggregate net sales, after promotional allowances and slotting fees, decreased by $260,864 to $1,643,008 (YTD-2015 - $1,903,872). During YTD-2016, promotional allowances and slotting fees, decreased by $19,163 to $98,187 (YTD-2015 - $117,350). As a percentage of gross sales, promotional allowances and slotting fees decreased by .2% to 5.6% (YTD-2015 – 5.8%).

Due to changes in food laws in Mexico during the process of shipping product from Asia, we spent Q2-2016 overlaying the existing label with a new information label. This has delayed the reorder in Mexico until Q3-2016. As at June 30, 2016 the relabeling was completed by our distributor, Café El Marino, who began distribution of Natural Cabana® Coconut Water to more than 3,000 stores in Mexico including: Soriana, 7-Eleven, Calimax, Circlulo K, Dax, Smart & Final, and Farmacia Roma. We are planning to introduce a Natural Cabana® Lemonade/Limeade (“Limonada”) in a 16.9oz glass “PULSE bottle” format for the Mexico market later in 2016 once our relationship with Café El Marino is solidified.

Due to seasonality, net revenue fluctuates from quarter to quarter.

Cost of Sales

During YTD-2016 cost of sales decreased by $198,581 to $1,083,213 (YTD-2015 – $1,281,794). As a percentage of net revenue, cost of sales for YTD-2016 decreased 1.3% to 66% (YTD-2015 – 67.3%). The decrease in cost of sales was due to the decrease in net revenue. We expect cost of sales for the production of Natural Cabana® Lemonade/Limeade to remain stable throughout 2016 due to fairly stable raw material costs. We expect cost of sales for Natural Cabana® Coconut Water to significantly reduce due to the lower cost of coconut water sourced from our new Asian manufacturer and lower ocean-shipping costs.

Gross Profit

During YTD-2016 gross profit decreased by $62,283 to $559,795 (YTD-2015 - $622,078). Gross profit for YTD-2016, as a percent of net sales, increased 1.3% to 34% (YTD-2015 – 32.7%). Gross profit decreased due to lower sales which was expected due to eliminating a number of weaker distributors and our strategic decision to concentrate on warehouse direct to retail. We expect gross profit for the sale of Natural Cabana® Lemonade/Limeade to remain stable throughout 2016 due to fairly stable sales prices, promotional programs and raw material costs. We expect gross profit for Natural Cabana® Coconut Water to significantly increase due to the lower cost of coconut water sourced from our new Asian manufacturer and lower ocean-shipping costs. We also expect an increase in gross profit as we re-introduce PULSE®, a higher margin brand. We expect all of these factors to have a positive effect on our gross profit.

Expenses

Advertising, samples and displays

This expense includes in-store sampling, samples shipped to distributors, display racks, ice barrels, sell sheets, shelf strips and door decals. During YTD-2016 advertising, samples and displays expense decreased by $2,130 to $37,239 (YTD-2015 - $39,369). As a percentage of net sales, this expense remained the same at 2%. We expect this variable expense to increase in proportion to increases in sales mainly due to the expansion of Natural Cabana® Coconut Water and the re-introduction of PULSE® Heart & Body Health functional beverages and due to an overall increase in distribution reach both in the United States and internationally.

Freight-out

During YTD-2016, freight-out decreased by $35,889 to $159,253 (YTD-2015 - $195,142). On a per case basis freight-out decreased by $0.06 per case to $1.07 (YTD-2015 - $1.13). This decrease is due to the location of shipping points which is sometimes outside of our control. We expect freight-out, on a per case basis, to decrease due to lower transportation costs in the United States and due to shipping directly to warehouses versus to numerous distributors. Additionally, there will be limited freight-out charges associated with delivering our products to our Mexico distributor at the ports of entry in Mexico and our China distributor receiving our products at the port of exit in the United States.

Contribution to fixed expenses

Beverage companies are often compared on a contribution to fixed expense basis which is calculated as gross profit less variable costs such as advertising, samples and displays and freight-out. This line item is not GAAP and therefore it is not disclosed separately in our financial statements. During YTD-2016 contribution to fixed expense decreased by $24,264 to $363,303 (YTD-2015 - $387,567). As a percentage of net sales, contribution margin increased by 2% to 22% (YTD-2015 – 20%). Contribution margin has steadily increased quarter over quarter as we move from direct store delivery to warehouse direct to retail and we expect contribution to fixed expenses to increase as we complete our strategic decision to move towards warehouse direct to retail.

Asset impairment

During YTD-2016 asset impairment expense decreased by $9,578 to $8,268 (YTD-2015 - $17,846) During YTD-2016 we incurred an impairment due to the expiry of finished goods .

General and administrative

General and administration expenses for YTD-2016 and YTD-2015 consist of the following:

	YTD-2016	YTD-2015	Effect on Profitability + (-)
Advisory and consulting fees	$ 56,375	$ 57,500	$ 1,125
Amortization and depreciation	58,608	52,333	(6,275)
Bad debts	40,000	1,035	(39,965)
Legal, professional and regulatory fees	103,575	81,179	(22,396)
Office, rent and telephone	141,264	132,964	(8,300)
Shareholder, broker and investor relations	54,245	124,331	70,086
Travel, meals and trade shows	100,714	155,083	54,369
	$ 554,781	$ 604,425	$ 49,644

During YTD-2016, general and administrative expenses decreased by $49,644 to $554,781 (YTD-2015 - $604,425). Shareholder, broker and investor relations decreased by $70,086 to $54,245 (YTD-2015 - $124,331). During YTD-2015 we incurred an expense of $115,000 attributable to the value of common shares issued to a consultant in a prior period. Starting in April, 2016 we hired an investor relations consultant and paid them $12,000 cash and 250,000 shares (valued at $29,792) during the period. Legal, professional and regulatory fees increased by $22,396 to $103,575 (YTD-2015 - $81,179) due to increased use of our SEC counsel during the period and the cost of our OTCQX listing. Travel, meals and trade shows decreased by $54,369 to $100,714 (YTD-2015 - $155,083) due to a strategic reduction. Office, rent and telephone increased by $8,300 to $141,264 (YTD-2015 - $132,964) a strategic reduction of $39,495 in office costs offset by administration/collection fees of $31,195 incurred associated with the TCA loan.

Salaries and benefits and broker/agent's fees

During YTD-2016 salaries and benefits and broker/agent's fees decreased by $146,709 to $502,854 (YTD-2015 - $649,563). We rationalized the number and placement of salespeople in the field as we moved our business concentration from direct store delivery through distributors to warehouse direct to retailers . This reduced the number of salespeople needed. We concentrated on warehouse direct sales, chain store listings and international expansion which is where we see the majority of our growth coming from. These areas of future growth are generally handled by our two senior officers. Going into the remainder of 2016 we expect this cost to be less than $200,000 per quarter.

Stock-based compensation

We have no further unrecognized stock-based compensation cost to record.

Net Operating Loss

Net operating loss for YTD-2016 decreased by $177,728 to $706,539 (YTD-2015 - $884,267). Offsetting the $62,283 decline in gross profit was an overall reduction of expenses of $240,011. We made a strategic decision to stream-line our operations as discussed under net sales above in order for us to reach profitability sooner and grow from a more solid base of business.

Other Income (Expense)

Interest Income (Expense), net

During YTD-2016 we incurred interest expense of $72,386 (YTD-2015 - $421). During YTD-2016 we incurred interest expense of $8,529 on short-term loans, $1,468 on credit card debt, and $62,389 on our revolving TCA loan balance.

Interest Expense – amortization of debt issuance costs

A total of $542,870 of debt issuance costs were incurred associated with the closing of the Credit Facility discussed in Note 7 to our financial statements. Pursuant to ASU 2015-3 these costs are being amortized to interest expense over the term of the loan to November 6, 2016. A total of $250,934 was charged to interest expense during YTD-2016.

Loss from Discontinued Operations

During February, 2016 we began our own Southern California distributorship, Natural Cabana Distribution Inc. Through this subsidiary we began selling Natural Cabana® Lemonades/Limeades and Coconut Waters to existing accounts in Southern California while we searched for a suitable independent large distributorship in the area to replace our former distributor. We made this strategic decision in order to maintain existing regional retail accounts in the area. On May 31, 2016 we discontinued this temporary operation and moved our ongoing business to a large independent distributor. During YTD-2016 we received $73,740 of net revenue. Cost of sales was $59,627 for a gross profit of $14,113. We incurred expenses of $94,724 and recorded a bad debt of $23,069. Our net loss from discontinued operations for YTD-2016 was $103,680.

Net Loss

Net loss, after interest expense and loss from discontinued operations, for YTD-2016 increased by $248,851 to $1,133,539 ($0.02 per share), compared with a net loss for YTD-2015 of $884,688 ($0.02 per share). This increase was due to TCA interest and amortization of debt issuance costs totaling $313,323 (YTD-2015 - $nil). We also incurred a loss from discontinued operations of $103,680 (2015 - $nil).

Non-GAAP financial information not disclosed in the financial statements

During YTD-2016 our net loss, after adjustments to bring GAAP to net loss before corporation income taxes, depreciation and amortization, stock-based compensation and one-time charges (Adjusted EBITDA), increased by $77,348 to $694,357 (YTD-2015 - $615,674).

LIQUIDITY AND CAPITAL RESOURCES

The discussion that follows is derived from our interim unaudited Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 and the interim unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 ("2016") and 2015 ("2015").

Overview

During 2016 our cash position decreased by $100,821 to $330,449 and our working capital decreased by $878,603 to negative $624,953 from $253,650. As at June 30, 2016, our working capital consisted of: cash of $330,449; accounts receivable, net of allowance for doubtful accounts, of $688,197; inventories of $897,746 (including finished product of $243,294, raw materials of $629,399 and inventory deposit of $25,053); and prepaid expenses of $57,080. Our current liabilities include accounts payable of $648,479, accrued expenses of $368,538, promissory notes of $109,386, credit card indebtedness of $22,022, and loans payable of $1,450,000.

The following table sets forth the major sources and uses of cash for the six months ended June 30, 2016 and 2015:

	2016	2015
Net cash used in operating activities	$ (696,570)	$ (794,971)
Net cash used in investing activities	(22,547)	(42,376)
Net cash provided by financing activities	618,296	905,000
Net (decrease) increase in cash	$ (100,821)	$ 67,653

Cash Used in Operating Activities

During 2016 we used cash of $696,570 (2015 - $794,971) in operating activities. This was made up of the net loss of $1,133,539 less adjustments for non-cash items such as: asset impairment of $8,268 (2015 - $17,846), bad debt allowance of $40,000 (2015 - $1,035)), amortization of debt issuance costs of $250,933 (2015 - $nil), shares and options issued for services of $81,373 (2015 - $115,000), amortization and depreciation of $58,608 (2015 - $52,333), and reduction of note receivable for services of $nil (2015 - $82,800); all totaling $439,182 (2015 - $269,014). After non-cash items, the net loss was $694,357 (2015 - $617,009). Our net cash used in operating activities as a result of changes in operating assets and liabilities was $2,213 (2015 - $179,247) due to an increase in accounts receivable of $341,735 (2015 - $239,274), a decrease in inventories of $82,897 (2015 – increase of $59,710), an increase in prepaid expenses of $4,118 (2015 – decrease of $8,853) and an increase in accounts payable and accrued expenses of $260,743 (2015 – $103,797).

Cash Used in Investing Activities

During 2016 we used cash of $22,547 in investing activities. In 2016 a total of $17,125 was spent on moulds and die cuts and $5,422 was spent on trademarks.

During 2015 we used cash of $42,376 in investing activities. A total of $21,057 was spent on moulds and die cuts, $5,500 on a delivery van, $4,573 on trademarks, and $4,003 on formulation and testing associated with bringing our PULSE® Heart & Body Health brand into commercial production.

Cash Provided by Financing Activities

On March 22, 2016, we entered into Amendment No. 1 to the Senior Secured Revolving Credit Facility Agreement (the "Amended Credit Facility") whereby we were approved for an additional $1,000,000 loan having the same terms as the initial $900,000 loan. During the six months ended June 30, 2016 we received gross proceeds of $850,000 less transaction costs of $86,640 for net proceeds of $763,360.

On March 27, 2015 we sold 10,050,000 Units at $0.10 per Unit for cash proceeds of $1,005,000 of which $100,000 was received as at December 31, 2014, $860,000 was received in cash and $45,000 was shares issued for debt. On May 27, 2015 we sold 750,000 Units at $0.10 per Unit for cash proceeds of $45,000, and debt settlement of $30,000.

Additional Capital

As of June 30, 2016, we had cash of $330,449 and a working capital deficiency of $624,953. On March 22, 2016, we entered into Amendment No. 1 to the Senior Secured Revolving Credit Facility Agreement (the "Amended Credit Facility") whereby we were approved for an additional $1,000,000 loan under the Amended Credit Facility having the same terms as the initial $900,000 loan. The Amended and Restated Senior Secured Revolving Convertible Promissory Note matures November 6, 2016 unless extended by the Lender. During the six months ended June 30, 2016 we received gross proceeds of $850,000 less transaction costs of $86,640 for net proceeds of $763,360. In connection with this additional loan, we agreed to issue 10,558,069 shares of our restricted common stock to the Lender as an Advisory Fee. Notwithstanding the above, the Lender is restricted from receiving these shares to the extent that, after giving effect to the receipt of the shares, the Lender would beneficially own more than 4.99% of our common stock. Any shares not issued as a result of this limitation will be issued at a later date, and from time to time, when the issuance of these will not result in the Lender beneficially owning more than 4.99% of our common stock. We have the right to repurchase these shares by paying $350,000 to the Lender on or before September 22, 2016.

We intend to continually monitor and adjust our business plan as necessary to respond to developments in our business, our markets and the broader economy. As of August 15, 2016 we believe our cash on hand, available working capital, credit facility and equity financing alternatives will be made available to us to support our working capital needs through to June 30, 2017 which we believe, is sufficient to alleviate the uncertainties relating to our ability to successfully execute on our business plan and finance our operations through June 30, 2017. These alternatives may require significant cash payments for interest and other costs which could be highly dilutive to our existing shareholders. Our financial statements for the periods presented were prepared assuming we will continue in operation for the foreseeable future and will be able to realize assets and settle liabilities and commitments in the normal course of business.

OFF BALANCE-SHEET ARRANGEMENTS

We have not had, and at June 30, 2016, do not have, any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). This preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. US GAAP provides the framework from which to make these estimates, assumptions and disclosures. We choose accounting policies within US GAAP that management believes are appropriate to accurately and fairly report our operating results and financial position in a consistent manner. Management regularly assesses these policies in light of current and forecasted economic conditions. While there are a number of significant accounting policies affecting our financial statements, we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments:

Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. We regularly evaluate estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation, and deferred income tax asset valuation allowances. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments as to the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates.

Intangible Assets

Intangible assets are comprised primarily of the cost of formulations of our products and trademarks that represent our exclusive ownership of Natural Cabana®, PULSE® and PULSE: Nutrition Made Simple®, all used in connection with the manufacture, sale and distribution of our beverages. We evaluate our trademarks annually for impairment or earlier if there is an indication of impairment. If there is an indication of impairment of identified intangible assets not subject to amortization, we compare the estimated fair value with the carrying amount of the asset. An impairment loss is recognized to write-down the intangible asset to its fair value if it is less than the carrying amount. The fair value is calculated using the income approach. However, preparation of estimated expected future cash flows is inherently subjective and is based on our best estimate of assumptions concerning expected future conditions. Based on our impairment analysis performed for the quarter ended June 30, 2016, the estimated fair values of trademarks and other intangible assets exceeded their respective carrying values.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 2 to our unaudited interim condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Robert E. Yates, who is both our chief executive officer and our chief financial officer, is responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures are those procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2016. Based on that evaluation, it was concluded that our disclosure controls and procedures were effective as of June 30, 2016.

Changes in internal control

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties described in Item 1A of our 2015 Form 10-K. In our judgment, there were no material changes in the risk factors as previously disclosed in Item 1A of our 2015 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Securities Issued in Unregistered Transactions

On April 12, 2016 we issued 133,333 shares of common stock having a fair market value of $10,333 pursuant to two service contracts.

On May 5, 2016 we issued 1,000,000 shares of common stock having a fair market value of $100,000 to settle $100,000 of debt owing to two advisory board members.

On May 5, 2016 we issued 83,333 shares of common stock having a fair market value of $12,500 pursuant to a service contract.

On May 11, 2016 we issued 250,000 shares of common stock having a fair market value of $37,500 pursuant to a Strategic Advisory Services Agreement.

On June 7, 2016 we issued 200,000 shares of common stock having a fair market value of $20,000 to settle $20,000 of debt owing to our Chief of Product Development.

On June 8, 2016 we issued 83,333 shares of common stock having a fair market value of $10,833 pursuant to a service contract.

Subsequent Sales of Unregistered Securities

Subsequent to June 30, 2016, we have not issued securities in unregistered transactions:

We relied upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933 with respect to the issuance of the shares listed above. The persons who acquired these securities were sophisticated investors who were provided full information regarding our business and operations. There was no general solicitation in connection with the offer or sale of these securities. The persons acquired these securities for their own accounts. The shares cannot be sold unless pursuant to an effective registration statement or an exemption from registration. No commissions were paid to any person in connection with the issuance of these securities.

ITEM 3. DEFAULT UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following documents are included herein:

Exhibit No.	Document Description
2.1 (1)	Share Exchange Agreement dated February 15, 2011
2.2 (1)	Articles of Merger dated February 17, 2011
3.1 (2)	Articles of Incorporation as amended
3.2 (2)	Bylaws
31.1	Certification of Principal Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Principal Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant Section 906 of the Sarbanes-Oxley Act of 2002 *
101 .INS	XBRL Instance Document*
101 .SCH	XBRL Taxonomy Extension Schema Document*
101 .CAL	XBRL Taxonomy Calculation Linkbase Document*
101 .DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101 .LAB	XBRL Taxonomy Label Linkbase Document*
101 .PRE	XBRL Taxonomy Presentation Linkbase Document*

*Provided herewith

(1) Incorporated by reference from our report on Form 8-K filed February 22, 2011.

(2) Incorporated by reference from our Registration Statement on Form SB-2 filed December 7, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PULSE BEVERAGE CORPORATION

Date: August 15, 2016

BY: /s/ Robert E. Yates

Robert E. Yates, Principal Executive and Financial Officer

Exhibit 31.1

OFFICER'S CERTIFICATE PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Yates, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Pulse Beverage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2016

/s/ Robert Yates
Robert Yates
Principal Executive Officer

Exhibit 31.2

OFFICER'S CERTIFICATE PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Yates, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Pulse Beverage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2016

/s/ Robert Yates
Robert Yates
Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Pulse Beverage Corporation (the "Company") on Form 10-Q for the quarterly period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Yates, Chief Executive Officer and Chief Financial Officer, on the date indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: August 15, 2016

By: */s/* Robert Yates
Robert Yates
Principal Executive and Financial Officer