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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2017

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
(State or other jurisdiction
of incorporation of organization)

36-4691531
(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 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 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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>

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

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 694,258,030 shares of common stock, par value \$0.00001, as of November 10, 2017.

THE PULSE BEVERAGE CORPORATION
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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, 2016 filed on April 17, 2017.

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 September 30, 2017 (Unaudited) and December 31, 2016 (Audited)

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Current Assets:		
Cash	\$ 79,907	\$ 159,660
Accounts receivable, net (Note 3)	267,090	146,324
Inventories (Note 4)	510,320	781,468
Prepaid expenses	8,050	21,585
Total Current Assets	865,367	1,109,038
Property and equipment, net of accumulated depreciation of \$356,310 and \$310,604, respectively (Note 5)	85,278	151,235
Intangible assets, net of accumulated amortization of \$62,675 and \$61,927, respectively (Note 5)	85,891	86,640
Total Assets	\$ 1,036,536	\$ 1,346,913
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 636,150	\$ 816,974
Credit card indebtedness	22,003	21,057
Promissory notes payable (Note 6)	15,114	71,587
Loans payable (Note 7)	1,321,068	1,792,384
Convertible debentures (Note 8)	260,025	2,025
Derivative liabilities (Note 9)	1,223,928	93,206
Total Current Liabilities	3,478,288	2,797,233
Stockholders' Equity (Deficit)		
Preferred stock, 1,000,000 shares authorized, \$0.001 par value, 300,000 Series "A" preferred shares issued (Note 12)	300	100
Common stock, 5,000,000,000 shares authorized (See Note 10), \$0.00001 par value 694,258,030 and 70,924,980 issued and outstanding, respectively	6,943	709
Additional paid-in capital	17,711,099	15,243,587
Deficit	(20,160,094)	(16,694,716)
Total Stockholders' Equity (Deficit)	(2,441,752)	(1,450,320)
Total Liabilities and Stockholders' Equity	\$ 1,036,536	\$ 1,346,913

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

The Pulse Beverage Corporation
Condensed Consolidated Statements of Operations
Three Months and Nine Months Ended September 30, 2017 and 2016
(Unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Gross Sales	\$ 467,966	\$ 709,754	\$ 1,264,672	\$ 2,450,949
Less: Promotional Allowances and Slotting Fees	(31,298)	(53,005)	(80,362)	(151,192)
Net Sales	436,668	656,749	1,184,310	2,299,757
Cost of Sales	355,185	434,158	926,661	1,517,370
Gross Profit	81,482	222,591	257,649	782,387
Expenses				
Advertising, samples and displays	7,857	16,672	32,701	53,911
Asset impairment	2,691	-	2,691	8,268
Freight-out	55,226	67,965	151,897	227,218
General and administration	252,022	349,931	767,851	904,713
Salaries and benefits and broker/agent's fees	140,788	211,069	419,132	713,922
Stock-based compensation	-	-	-	3,939
Total Operating Expenses	458,584	645,637	1,374,272	1,911,971
Net Operating Loss	(377,102)	(423,046)	(1,116,623)	(1,129,584)
Other Income (Expense)				
Financing expense	-	(40,000)	-	(40,000)
Interest expense	(70,519)	(48,143)	(252,281)	(120,530)
Accretion of discount on convertible debentures	(405,020)	(172,073)	(1,124,763)	(423,007)
Gain on extinguishment of convertible debentures	403,531	-	403,531	-
Loss in fair value of derivatives	(473,027)	-	(1,375,241)	-
Total Other Income (Expense)	(545,035)	(260,216)	(2,348,754)	(583,537)
Net Loss from Continuing Operations	(922,137)	(683,262)	(3,465,377)	(1,713,121)
Loss from Discontinued Operations	-	-	-	(103,680)
Net Loss	\$ (922,137)	\$ (683,262)	\$ (3,465,377)	\$ (1,816,801)
Net Loss per Share from Continuing Operations – Basic and Diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Net Loss per Share from Discontinued Operations – Basic and Diluted	-	-	-	-
Net Loss per Share – Basic and Diluted	*(\$0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted Average Shares Outstanding – Basic and Diluted	537,794,000	70,764,000	303,180,000	69,749,000

*Less than \$0.01

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

The Pulse Beverage Corporation
Condensed Consolidated Statements of Cash Flows
For the Nine Months ended September 30, 2017 and 2016
(Unaudited)

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Cash Flow from Operating Activities		
Net loss	\$ (3,465,377)	\$ (1,816,801)
Adjustments to reconcile net loss to net cash used in operations:		
Amortization and depreciation	66,706	88,265
Asset impairment	-	8,268
Bad debt allowance	10,616	164,161
Interest paid through debt swap and shares	143,449	-
Default interest added to convertible notes	71,750	-
Amortization of deferred debt issuances costs	9,500	-
Gain on extinguishment of convertible notes	(403,531)	-
Loss in fair value of derivative liability	1,375,241	-
Accretion of discount on convertible debenture	1,124,763	423,005
Shares and options issued for services	11,700	140,122
Changes in operating assets and liabilities:		
Increase in accounts receivable	(131,382)	(159,291)
Decrease (increase) in prepaid expenses	13,535	104
Decrease in inventories	271,149	(6,270)
Increase in accounts payable and accrued expenses	74,123	354,649
Net Cash Used in Operating Activities	<u>(827,758)</u>	<u>(803,784)</u>
Cash Flow to Investing Activities		
Purchase of property and equipment	-	(17,125)
Acquisition of intangible assets	-	(5,422)
Net Cash Used in Investing Activities	<u>-</u>	<u>(22,547)</u>
Cash Flow from Financing Activities		
Proceeds from sale of preferred shares	800	-
Proceeds from loans	134,500	763,360
Repayment of loans payable	(182,322)	(286,877)
Proceeds from convertible notes	851,500	-
Repayment of promissory notes	(56,473)	-
Net Cash Provided by Financing Activities	<u>748,005</u>	<u>476,483</u>
(Decrease) in Cash	<u>(79,753)</u>	<u>(349,848)</u>
Cash – Beginning	<u>159,660</u>	<u>431,270</u>
Cash - Ending	<u>\$ 79,907</u>	<u>\$ 81,422</u>
Non-Cash Financing and Investing Activities:		
Shares issued for services	\$ 11,700	\$ 37,500
Shares issued to settle debt	\$ 2,000	\$ 100,000
Shares issued upon conversion of convertible debt	\$ 942,347	\$ -
Supplemental Disclosures:		
Interest paid	\$ 48,100	\$ 123,077
Income taxes paid	\$ -	\$ -

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

1. Nature of Operations

Organizational history

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, by and among us, The Pulse Beverage Corporation and the stockholders of The Pulse Beverage Corporation. The Pulse Beverage Corporation became a wholly-owned subsidiary. On February 16, 2011 Darlington’s name was changed to “The Pulse Beverage Corporation”.

Nature of business

We manufacture and distribute Natural Cabana® Lemonade, Limeade and Coconut Water. Our product line, PULSE® Heart & Body Health functional beverage has been discontinued in the short-term. 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.

Going concern

The accompanying unaudited condensed consolidated interim financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities, and commitments in the normal course of business. We have generated significant revenues but have sustained substantial losses since inception and have never paid any dividends and are unlikely to pay dividends in the immediate or foreseeable future. Our continuation as a going concern is dependent upon our ability to obtain necessary debt and/or equity financing to fund our growth strategy, pay debt when due, to continue operations, and to attain profitability. As at September 30, 2017 we had a working capital deficit of \$2,612,921, cumulative losses of \$20,160,094 and a stockholders’ deficit of \$2,441,752. All of these factors combined raises substantial doubt regarding our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. Since our inception through September 30, 2017, we have obtained funds primarily from the issuance of common stock and debt. Management believes this funding will continue, and is continually seeking new investors. Management believes the existing shareholders and lenders and prospective new investors will provide the additional cash needed to meet our obligations as they become due, and will allow the development of our core business.

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. We believe our debt and equity financing alternatives will be made available to us to support our working capital needs in the future. These alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders.

2. Summary of Significant Accounting Policies

Basis of presentation

The unaudited condensed consolidated interim financial statements for the three months and nine months ended September 30, 2017 and 2016 have been prepared in accordance with accounting principles generally accepted in the United States. Our fiscal year end is December 31st.

The foregoing unaudited condensed consolidated interim 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, 2016. In our opinion, the unaudited condensed consolidated interim 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 nine months ended September 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

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.

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.

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.

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 last-in, first-out (“LIFO”). 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 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 February 2015, the FASB issued ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis,” which makes changes to both the variable interest model and voting interest model and eliminates the indefinite deferral of FASB Statement No. 167, included in ASU 2010-10, for certain investment funds. All reporting entities that hold a variable interest in other legal entities will need to re-evaluate their consolidation conclusions as well as disclosure requirements. This ASU is effective for annual periods beginning after December 15, 2015, and early adoption is permitted, including any interim period. 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 January 2015, the FASB issued ASU 2015-01, “Income Statement – Extraordinary and Unusual Items (Subtopic 225-20),” effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. This update eliminates from GAAP the concept of extraordinary items. 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 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 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 August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements – Going Concern (Subtopic 205-40),” effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. This standard provides guidance about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The guidance is effective for annual reporting periods ending after December 15, 2016, 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 March 2016, the FASB issued an accounting standards update which simplifies the accounting for share-based payment transactions, inclusive of income tax accounting and disclosure considerations. This guidance is effective for fiscal and interim periods beginning after December 15, 2016 and is required to be applied retrospectively to all impacted share-based payment arrangements. We adopted this guidance on January 1, 2017. 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 September 30, 2017

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” on revenue recognition. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original effective date of this guidance was for interim and annual reporting periods beginning after December 15, 2016, early adoption is not permitted, and the guidance must be applied retrospectively or modified retrospectively. In July 2015, the FASB approved an optional one-year deferral of the effective date. As a result, we expect to adopt this guidance on January 1, 2018. We have not yet determined our approach to adoption or the impact the adoption of this guidance will have on our financial position, results of operations or cash flows, if any.

In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. We are currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued an accounting standards update which modifies the accounting for leasing arrangements, particularly those arrangements classified as operating leases. This update will require entities to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance is effective for fiscal and interim periods beginning after December 15, 2018 and is required to be applied retrospectively to all leasing arrangements. We are currently assessing the effects this guidance may have on our financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, Clarifying the Definition of a Business (“ASU 2017-01”). The standard clarifies the definition of a business by adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Under ASU 2017-01, to be considered a business, the assets in the transaction need to include an input and a substantive process that together significantly contribute to the ability to create outputs. Prior to the adoption of the new guidance, an acquisition or disposition would be considered a business if there were inputs, as well as processes that when applied to those inputs had the ability to create outputs. Early adoption is permitted for certain transactions. Adoption of ASU 2017-01 may have a material impact on our consolidated financial statements if we enter into future business combinations.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not anticipate the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements.

3. Accounts Receivable

Accounts receivable consists of the following as of:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	<u>(Unaudited)</u>	
Trade accounts receivable	\$ 276,812	\$ 138,229
Less allowance for doubtful accounts	(10,616)	-
Other	894	8,095
	<u>\$ 267,090</u>	<u>\$ 146,324</u>

4. Inventories

Inventories consists of the following as of:

	<u>September 30, 2017</u> (Unaudited)	<u>December 31, 2016</u>
Finished goods	\$ 228,872	\$ 251,692
Finished goods in transit	83,313	-
Deposit on finished goods	-	5,837
Raw materials	198,135	523,940
	<u>\$ 510,320</u>	<u>\$ 781,469</u>

5. Property and Equipment and Intangible Assets

Property and equipment consists of the following as of:

	<u>September 30, 2017</u> (Unaudited)	<u>December 31, 2016</u>
Manufacturing, warehouse, display equipment and molds	\$ 289,759	\$ 289,759
Office equipment and furniture	41,581	41,581
Mobile display unit and vehicles	130,500	130,500
Less: depreciation	(376,562)	(310,605)
Total Property and Equipment	<u>\$ 85,278</u>	<u>\$ 151,235</u>

For the three months ended September 30, 2017 and 2016, depreciation expense was \$20,252 and \$26,523, respectively. For the nine months ended September 30, 2017 and 2016, depreciation expense was \$65,958 and \$78,863, respectively.

Intangible assets consist of the following as of:

	<u>September 30, 2017</u> (Unaudited)	<u>December 31, 2016</u>
Website	62,675	62,675
Less: amortization	(62,675)	(61,926)
Trademarks – not amortized due to indefinite life	85,891	85,891
Total Intangible Assets	<u>\$ 85,891</u>	<u>\$ 86,640</u>

For the three months ended September 30, 2017 and 2016, amortization expense was \$nil and \$3,134, respectively. For the nine months ended September 30, 2017 and 2016, amortization expense was \$748 and \$9,401, respectively. Estimated amortization expense to be recorded for the remainder of 2017 is \$Nil.

6. Promissory Notes Payable

The following promissory notes are unsecured as follows:

- a) Promissory Note #1 – repaid during the nine months ended September 30, 2017; and
- b) Promissory Note #2 - \$15,114 – no specific repayment terms.

7. Loans Payable

Loans payable consists of the following as of:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	<u>(Unaudited)</u>	
Short-term loan (a) below	\$ 3,623	\$ 14,069
Short-term loan, related party (a) below	89,251	120,374
Senior Secured Revolving Note (b) below	1,180,130	1,657,942
Factoring loan (c) below	7,264	-
Payment rights loan (d) below	40,800	-
Total loans payable	<u>\$ 1,321,068</u>	<u>\$ 1,792,384</u>

- a) In 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 bear interest at 10%, are unsecured and due on demand. As of November 14, 2017, 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 (“TCA”). Under the terms of the Credit Agreement, TCA committed to lend up to \$3,500,000 (the “Credit Facility”) pursuant to a senior secured revolving note (the “Note”). TCA has funded to date \$1,750,000, \$900,000 in fiscal 2015 and \$850,000 in fiscal 2017. The Credit Facility is secured by a senior secured interest in all 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. The Lender has the right, in the Event of Default, to convert any outstanding amounts under the Note into restricted shares of our 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 and subsequent loans therein, we were obligated to pay a total of \$500,000 in investment banking fees to TCA. As security for the initial fee of \$150,000 we issued 3,000,000 common shares to TCA. These shares were sold for total proceeds of \$119,550 leaving a total balance owing of \$380,450. The original maturity of the Note was November 6, 2016. TCA has verbally agreed to extend the maturity date to a future date but as of November 14, 2017 we have not reached an agreement with TCA on this extension.
- c) On February 22, 2017, we sold future receipts totaling \$61,098 for proceeds of \$44,500 pursuant to a Revenue Based Factoring Agreement dated February 20, 2017. We are required to repay \$332 per business day for 184 business days. We have repaid a total of \$51,128 to September 30, 2017. The principal owing as at September 30, 2017 of \$9,970 is offset by unamortized deferred interest of \$2,706.
- d) On September 6, 2017, we entered into a Payment Rights Purchase and Sale Agreement with Everest Business Funding and sold future receipts of \$126,900 for net proceeds of \$90,000. We are required to repay \$846 per business day for 150 business days. We have repaid a total of \$69,372 to September 30, 2017. The principal owing as at September 30, 2017 of \$57,528 is offset by unamortized deferred interest of \$16,728.

8. Convertible Notes

Convertible notes consist of the following:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	<u>(Unaudited)</u>	
Face value of convertible notes - (a) to (f) below	\$ 934,206	\$ 80,750
Less discounts	(674,181)	(80,750)
Revaluation of notes	-	9,630
	<u>260,025</u>	<u>9,630</u>
Less: unamortized debt issuance costs	-	(7,605)
Net carrying value	<u>\$ 260,025</u>	<u>\$ 2,025</u>

- a) On October 7, 2016, we issued a 9% convertible note in the principal amount of \$80,750. We received a total amount of \$75,000, net of debt issuance costs of \$7,500. The note was convertible into common shares. On April 4, 2017 GHS Investments, LLC (“GHS”), pursuant to an Assignment Agreement between us, the lender, and GHS, satisfied our obligations to the lender in the amount of \$118,231 which included principal of \$80,750 and accrued regular and default interest of \$37,481. GHS had the right to convert this amount into our common shares at a 40% discount of the average of the three lowest traded prices in the prior 20 days. Between April 19, 2017 and July 24, 2017 the principal amount of \$118,123 and \$761 of accrued interest was converted into 82,843,586 common shares at an average aggregate price of \$0.0014;

- b) On January 11, 2017, we borrowed \$43,000 (“Power Up Loan #1”) from Power Up Lending Group, Ltd (Power Up). The Power Up Loan #1 is evidenced by a promissory note which bears interest at 8% per annum and due on October 17, 2017. On July 10, 2017 Power Up may convert Power Up Loan #1 into common shares. On March 10, 2017, we borrowed an additional \$30,000 (“Power Up Loan #2) from Power Up which is evidenced by a promissory note bearing interest at 8% per annum, due on December 30, 2017. On June 20, 2017, we borrowed an additional \$33,000 (“Power Up Loan #3) from Power Up which is evidenced by a promissory note bearing interest at 8% per annum, due on December 30, 2017. On August 21, 2017, we borrowed an additional \$43,000 (“Power Up Loan #4) from Power Up which is evidenced by a promissory note bearing interest at 8% per annum, due on May 30, 2018. Between July 18, 2017 and September 18, 2017 Power Up has converted Loans #1 and 2 in the amount of \$73,000 plus accrued interest of \$2,970 into 81,588,918 common shares at an average price of \$0.001. On December 17, 2017 Power Up may convert Power Up Loan #3 into our common shares. On February 17, 2017 Power Up may convert Power Up Loan #4 into our common shares. The conversion price of these two loans is 61% of the average of the three lowest trading prices of our common shares during the 15-day trading period ending on the last trading day prior to the date of conversion. The derivative treatment would not become applicable until the promissory notes become convertible on December 17, 2017 and February 17, 2017, respectively. As at September 30, 2017, the carrying value of the remaining two notes was \$76,000. We have reserved a total of 308,021,620 shares for future issuance upon conversion of the notes of which a balance of 147,864,444 remains unused;
- c) On January 25, 2017, we entered into a Settlement Agreement with certain creditors whereby Rockwell Capital Inc. purchased debts from our creditors totaling \$250,738 (the “Claim Amount”). In return Rockwell Capital Inc. can convert the Claim Amount into free-trading common shares pursuant to Section 3(a) (10) of the Securities Act at a 40% discount of the 3 lowest traded prices over the prior 10 days. As at March 28, 2017 the Claim Amount was fully settled and converted into 78,459,168 common shares. In connection with the Settlement Agreement we issued 625,000 common shares having a fair market value of \$6,425 for a registered broker dealer to act on our behalf;
- d) On January 26, 2017, we entered into a Debt Purchase Agreement (“DPA”) with Old Main Capital, LLC (“Old Main”) to assign up to \$1,727,484 of principal owed to TCA Global Credit Master Fund LP (“TCA”) in exchange for up to \$1,722,484 pursuant to terms of the DPA. To evidence this DPA we entered into a 10% Senior Replacement Convertible Promissory Note for any purchases made from TCA by Old Main. As at September 30, 2017 Old Main has purchased \$513,000 of such debt by paying TCA a total of \$513,000 and paying legal fees of \$7,000 to legal counsel for Old Main and TCA. Additionally, we were charged a total of \$38,000 of default interest over the period from January 26, 2017 to June 30, 2017. Old Main has the right to convert this amount into our common shares at a 35% discount of the average of the two lowest traded prices in the prior 30 days. As at September 30, 2017, a total of \$496,822 was converted into 379,111,378 common shares at an average price of \$0.0013. The balance owing as at September 30, 2017 was \$61,178. We had reserved 363,670,353 common shares for future issuances of which a balance of 308,470,353 remains unused;
- e) On April 3, 2017, we entered into an additional financing arrangement with Old Main Capital, LLC, (“Old Main #2 Note”), and delivered an installment Convertible Promissory Note (the “Note”) to Old Main. Under the terms of the Old Main #2 Note, we borrowed \$200,000 on April 4, 2017 and \$50,000 on April 26, 2017. Each loan under the Old Main #2 Note is due nine months from date of advance and bears interest at 10% per annum. We have accrued interest of \$19,246 as at September 30, 2017. In addition, pursuant to an original issue discount provision, the principle of the Old Main #2 Note was increased above the \$250,000 received by us to \$294,117, which provides additional consideration to Old Main. In addition, the principal and accrued interest on the Old Main #2 Note is convertible in whole or in part at the option of Old Main into our common shares at a conversion price per share equal to 65% of the average of the two lowest traded prices for our common shares in the 30 days preceding conversion. We have reserved 1,050,000,000 common shares for future issuances;
- f) On September 22, 2017, we entered into a Securities Purchase Agreement with Crossover Capital Fund II LLC (the “Crossover Agreement”). The Crossover Agreement represents two 10% convertible notes in the amount of \$58,333 each for a total funding of \$116,666. We issued Crossover Capital Note #1 on June 22, 2017 and received \$50,000, after an original issue discount of \$5,833 and debt issuance costs of \$2,500. We issued Crossover Capital Note #2 on July 24, 2017 and received \$50,000, after an original issue discount of \$5,833 and debt issuance costs of \$2,500. The maturity date of these notes is March 22, 2018 and April 24, 2017, respectively. Crossover is entitled to convert these notes into our common shares at a conversion price equal to 62% of the average of the three lowest trading prices of our common stock for the twenty prior trading days prior to and including the conversion date. We have reserved up to 481,170,000 shares for future conversion of these notes;

- g) On July 17, 2017, we entered into a Securities Purchase Agreement with LG Capital Funding, LLC (the “LG Agreement”). The LG Agreement represents two 8% convertible redeemable notes in the amount of \$78,750 each for a total funding of \$157,500. We issued Note #1 on July 17, 2017 and Note #2 on September 1, 2017 and received \$150,000 net of legal fees of \$7,500. The maturity dates of these notes are July 17, 2018 and September 1, 2018, respectively. LG Capital is entitled to convert these notes into our common shares at a conversion price equal to 60% of the lowest trading price of our common stock for the twenty prior trading days. We have reserved up to 538,815,000 shares for future conversions;
- h) On July 19, 2017, we issued a 12% convertible note in the principal amount of \$62,000 to JSJ Investments Inc. (the “JSJ Note”) due on demand on or after April 19, 2018. We received a net amount of \$50,000, after an original issue discount of \$10,000 and debt issuance costs of \$2,000. The note has a cash redemption premium of 150% of the principal amount in the first 180 days. The note is convertible into common shares at a 40% discount to the average of the three lowest trading prices during the previous twenty trading days to the date of conversion. We have reserved up to 453,000,000 shares for future conversion of this note;
- i) On August 10, 2017, we issued an 8% convertible note in the principal amount of \$50,000 to Eagle Equities LLC due on demand on or after August 10, 2018. We received a net amount of \$47,500, after debt issuance costs of \$2,500. This note is convertible into common shares at a 40% discount to the lowest trading price during the previous twenty trading days to the date of conversion. We have reserved up to 133,333,000 shares for future conversion of this note;
- j) On September 1, 2017, we issued an 8% convertible note in the principal amount of \$78,750 to Adar Bays, LLC due on demand on or after September 1, 2018. We received a net amount of \$75,000, after debt issuance costs of \$3,750. This note is convertible into common shares at a 40% discount to the lowest trading prices during the previous twenty trading days to the date of conversion. We have reserved up to 276,315,000 shares for future conversion of this note;
- k) On September 5, 2017, we entered into a Securities Purchase Agreement with Crown Bridge Partners, LLC (the “Crown Bridge Agreement”). The Crown Bridge Agreement represents three 10% convertible redeemable notes in the amount of \$35,000 each for a total funding of \$105,000. We issued Note #1 on September 7, 2017 and received \$30,000 net of original issue discount of \$3,500 and legal fees of \$1,500. The maturity date of this note is September 7, 2018. Crown Bridge is entitled to convert this note into our common shares at a 40% discount to the average of the three lowest trading prices during the previous twenty trading days to the date of conversion. We have reserved up to 318,181,818 shares for future conversions.

9. Derivative Liabilities

The embedded conversion option of the convertible debenture described in Note 8 contains a conversion feature that qualifies for embedded derivative classification. The fair value of the liability will be re-measured at the end of every reporting period and the change in fair value will be reported in the statement of operations as a gain or loss on derivative financial instruments.

The table below sets forth a summary of changes in the fair value of the Company’s Level 3 financial liabilities:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	<u>(Unaudited)</u>	
Balance, beginning	\$ 93,206	\$ -
Original discount limited to proceeds of notes	1,633,298	80,750
Fair value of derivative liabilities in excess of note proceeds received	1,596,972	9,825
Change in fair value of embedded conversion option	(222,184)	2,631
Conversion of derivative liability	(1,877,365)	-
Balance, ending	<u>\$ 1,223,928</u>	<u>\$ 93,206</u>

We use Level 3 inputs for our valuation methodology for the embedded conversion option liabilities as their fair values were determined by using the Black-Scholes option pricing model based on various assumptions. The model incorporates the price of a share of our common stock (as quoted on the Over the Counter Markets), volatility, risk free rate, dividend rate and estimated life. Significant changes in any of these inputs in isolation would result in a significant change in the fair value measurement. As required, these are classified based on the lowest level of input that is significant to the fair value measurement. The following table shows the assumptions used in the calculations:

	<u>Expected Volatility</u>	<u>Risk-free Interest Rate</u>	<u>Expected Dividend Yield</u>	<u>Expected Life (in years)</u>
At issuance	133% - 294%	0.52% - 1.24%	0%	0.15 - 1.00
At September 30, 2017	200% - 278%	1.06% - 1.31%	0%	0.26 - .93

10. Common Stock

On April 24, 2017, an Information Statement was filed with the Securities and Exchange Commission pursuant to Section 14C of the Securities Exchange Act of 1934, to notify our shareholders of a proposed amendment to our Articles of Incorporation. We proposed an amendment to our Articles of Incorporation that would increase the number of authorized shares of our common stock from 500,000,000 to 5,000,000,000 (the "Authorized Increase Amendment"). The Authorized Increase Amendment was unanimously adopted and approved on April 23, 2017 by written consent of our Board of Directors. The Authorized Increase Amendment became effective on May 29, 2017.

Equity transactions during the nine months ended September 30, 2017:

- On January 25, 2017, in connection with the Settlement Agreement described in Note 7 we issued 625,000 common shares having a fair market value of \$6,425 for a registered broker dealer to act on our behalf;
- Between February 15, 2017 and September 22, 2017, a total of \$496,822 of the Old Main #1 debt was converted into 379,111,378 common shares at an aggregate average price of \$0.0013 per share;
- Between April 21, 2017 and July 24, 2017, a total of \$118,123 of the GHS debt and \$761 of accrued interest was converted into 82,843,586 common shares at an aggregate average price of \$0.0014 per share;
- Between January 27, 2017 and March 24, 2017, a total of \$250,738 of the Rockwell Capital Inc. Settlement Agreement Claim Amount was settled and converted into 78,459,168 common shares at an aggregate average price of \$0.003 per share;
- Between July 18, 2017 and September 18, 2017, a total of \$73,000 of the Power Up debt and \$2,970 of accrued interest was converted into 81,588,918 common shares at an aggregate average price of \$0.001 per share;
- On March 13, 2017, we issued 200,000 common shares to settle \$2,000 of creditor debt. These shares were valued at \$0.01 per common shares;
- On March 13, 2017, we issued 500,000 common shares at a fair value of \$0.01 per share to a service provider pursuant to a Consultant Agreement. The fair market value of these shares, being \$5,000 was charged to operations.

Equity transactions during the nine months ended September 30, 2016:

- 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. These shares were valued at \$0.08 per share or \$16,844 in total which amount was deducted from additional paid in capital;
- 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 September 30, 2016;
- On May 5 and September 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;
- Between April 12, 2016 and September 22, 2016, we issued a total of 500,000 common shares at an average fair value of \$0.10 per share to a service provider. The aggregate value of these shares, being \$51,041, was charged to operations during the nine months ended September 30, 2016; and
- 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.

11. Warrants

At September 30, 2017, we had no common stock purchase warrants outstanding.

12. Preferred Stock

There are 1,000,000 shares of preferred stock, par value \$0.001, issuable in series with rights, preferences and limitations to be determined by the Board of Directors from time to time. On December 9, 2016, our Board of Directors created a series of Preferred Shares, \$0.001 par value per share, designated as Series "A" Preferred Shares. The number of shares constituting Series "A" Preferred Shares is 300,000. Each Series "A" Preferred Share entitles the holder to 1,000 votes on all matters submitted to a vote of our shareholders. On December 9, 2016, we issued 100,000 Series "A" Preferred Shares to our Chief Executive Officer for \$400 and on April 24, 2017 we issued a further 200,000 Series "A" Preferred Shares to our Chief Executive Officer for \$800.

13. Subsequent Events

Subsequent to September 30, 2017 we have not entered into any debt and equity transactions.

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

The discussion that follows is derived from our interim unaudited Condensed Consolidated Statements of Operations for the three months ended September 30, 2017 ("Q3-2017") and September 30, 2016 ("Q3-2016").

General Discussion.

The distribution market for beverages and food in general is now in flux and changing. Much like all other brick and mortar retail outlets that have been impacted by online retailing, grocery and convenience stores are now faced with consolidations and in-roads by strong online competitors. While large multi-state grocery chains have added delivery services and online ordering options, until 2017 they were immune from in-roads from competitors like Amazon. This changed in 2017 with Amazon's acquisition of Whole Foods Markets. This acquisition by Amazon allows Amazon to have local touch points (the Whole Foods stores) for delivery in almost 500 locations, all of which will be accessed from Amazon's website and membership programs. This is spurring mergers and acquisitions as well as consolidation of grocery chains. This consolidation effects our efforts to open new channels of distribution as this market uncertainty slows the decision-making progress. Beverages by their very nature are extremely heavy and therefore are not easily sold as a typical online product due to the high cost of shipping. Therefore, management believes that while we do sell our products online through a third party for the foreseeable future beverages will sell best at or through a local source, like a grocery store or convenience store, as well as restaurants. However, the uncertainty in the market place is slowing our penetration into the market with our products.

Management's strategy during this uncertainty period is to continue to work though the grocery channels, while putting more emphasis on the convenience store and restaurant channels in the U.S. We can obtain higher margins in these locations and in the case of the restaurant channels will not be required to pay large "slotting fees" upfront before sales are made. An example of this is our relationship with Smash Burger, USA. Another opportunity that management is exploring is the overseas, particularly the Asian market. We have found that U.S. products are widely accepted in Asia and with our coconut waters being produced in Vietnam shipping costs to China, for example, will be much lower than that to the U.S. mainland, making our products very competitive there. To protect ourselves from currency variations and collections matters any orders we receive from outside the U.S. will be accompanied by a verified Letter of Credit from a recognized financial institution.

Management is also working to source and acquire synergistic companies whose products could easily be added to our sales channel and ours to theirs. The goal would be to increase our sales force representation for both product lines without increasing overhead. Management is in discussions with a number of companies that would fit this description.

Management continues to explore and take action on reducing our fixed overhead costs, for by example, decreasing the size of our headquarters location in Denver, Colorado USA by almost 50%. With the change in our operations management determined that it needed less space and this reduction which should be completed by the end of the fourth quarter will reduce our rental expense by almost 50%.

<u>Statements of Operations</u>	<u>Q3-2017</u>	<u>Q3-2016</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Gross Sales	\$ 467,966	\$ 709,754	(\$ 241,788)	(34%)
Less: promotion/slotting	(31,298)	(53,005)	21,707	(41%)
Net Sales	436,668	656,749	(220,081)	(34%)
Cost of Sales	355,185	434,158	78,973	(18%)
Gross Profit	81,482	222,591	(141,109)	(63%)
Expenses				
Advertising, samples and displays	7,857	16,672	(8,815)	(53%)
Asset impairment	2,691	-	2,691	100%
Freight-out	55,226	67,965	(12,739)	(19%)
General and administration	252,022	349,931	(97,909)	(28%)
Salaries, benefits and agent's fees	140,788	211,069	(70,281)	(33%)
Total Operating Expenses	458,584	645,637	(187,053)	(20%)
Net Operating Loss	(377,102)	(423,046)	(45,944)	(11%)
Other Income (Expense)				
Financing expense	-	(40,000)	(40,000)	(100%)
Interest expense	(70,519)	(48,143)	22,376	46%
Accretion of discount on convertible debentures	(405,020)	(172,073)	232,947	135%
Gain on extinguishment of convertible debentures	403,531	-	403,531	100%
Loss in fair value of derivatives	(473,027)	-	473,027	100%
Total Other Income (Expense)	(545,035)	(260,216)	284,819	35%
Net Loss from Continuing Operations	(922,137)	(683,262)	238,875	35%
Loss from Discontinued Operations	-	-	-	n/a
Net Loss	(\$ 922,137)	(\$ 683,262)	\$ 238,875	35%

Net Sales

We introduced Natural Cabana® Lemonade in a 20oz glass bottle in 2012 and since then have developed a US regional distribution system. During July 2016, we began eliminating a number of weaker, non-performing and slow-paying distributors and now have approximately 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 which has led to reductions in overhead associated with direct store delivery distributors. The continued decrease in net sales during Q3-2017 compared to Q3-2016 was expected. As part of the restructure we switched our packaging for Natural Cabana® Lemonade/Limeade from a 20oz glass bottle to a 16.9oz European style glass bottle used in the making of Citrus Tree and Pulse Heart Health. This change has been well received in the market place and we expect to continue to deliver our products in this packaging. Our net revenue during Q3-2017 was impacted as a result of offering discounts to our distributors to clear out the 20oz product to make room for the 16.9oz product.

Some of the more notable regional and national grocery and convenience chain stores are: Albertsons/Safeway/Tom Thumb Markets, Walmart, Kroger/King Soopers/City Markets, Stater Bros, Food Max, Houchens/IGA/IGA Express/IGA Cross Roads, Kmart, 7-Eleven, United C-stores, Weis Markets, King Kullen, Dierbergs Markets, Hy-Vee Supermarket, WinCo Foods, Price Less Markets, Gristede's Foods, Toot n Totem, Travel America, Smashburger, Bolla Markets, Shop-Rite Grocery, Natural Foods, Flash Foods and Associated Foods.

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.

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

During Q3-2017, our aggregate gross revenues compared to Q3-2016 decreased by \$241,788 to \$467,966 (Q3-2016 - \$709,754). The most significant reason for the decline is due to selling our Canadian Natural Cabana lemonade/limeade business to our Canadian distributor in Q4-2016. Canadian sales during Q3-2016 was \$64,272 compared to \$nil during Q3-2017. Additionally, during the last six months of 2016, we determined that it was necessary to re-structure how we organized our business to lower our overhead and increase our productivity so that we could, in the future, sell more product at a lower cost. In the short-term this, coupled with our cash crunch, impacted our ability to sell and deliver product which had a short-term negative impact on our sales. We believe that over the long-term these structural changes will enhance shareholder value. The impact of these decisions will be evident in all aspects of our business.

During Q3-2017 gross revenues, on sale of 30,405 cases (Q3-2016 – 50,049 cases) of 16.9oz and 20oz. Natural Cabana® Lemonade/Limeade, declined by \$236,414 to \$344,190 (Q3-2016 - \$580,604). The most significant reason for the decline is due to selling our Canadian business to our Canadian distributor during Q4-2016. Canadian sales during Q3-2016 was \$64,272 compared to \$nil during Q3-2017.

In April 2016, we introduced our Lemonade/Limeade formula in a 16.9oz glass bottle package under a private label “Citrus Tree”. During Q3-2017 gross revenues, on sale of 946 cases (Q3-2016 – 1,539 cases) of Citrus Tree, declined by \$19,270 to \$700 (Q3-2016 - \$19,970). We cleared out remaining Citrus Tree product at \$1.35 per case.

During Q3-2017 gross revenues, on sale of 10,884 cases (Q3-2016 – 9,224 cases) of Natural Cabana® Coconut Water, increased by \$13,895 to \$123,076 (Q3-2016 - \$109,180). Demand for this product is getting stronger.

During Q3-2017 our aggregate net sales, after promotional allowances and slotting fees, decreased by \$456,496 to \$780,858 (Q3-2016 - \$1,237,353). During Q3-2017, promotional allowances and slotting fees, decreased by \$21,707 to \$31,298 (Q3-2016 - \$53,005). As a percentage of gross sales, promotional allowances and slotting fees increased to 3.85% (Q3-2016 – 4%).

Cost of Sales

During Q3-2017 cost of sales decreased by \$78,973 to \$355,185 (Q3-2016 – \$434,158). This decrease was due to lower net revenues. As a percentage of net revenue, cost of sales increased to 81.3% from 66.1%. This was a result of short-term excessive cost of 16.9oz bottles which were paid for many years ago and kept in inventory attracting storage costs. Once the remaining 16.9oz bottle inventory of 2,500 cases is depleted our cost will significantly reduce. We expect cost of sales to produce Natural Cabana® Lemonade/Limeade in the 16.9oz bottle to significantly reduce during the remainder of the year once the bottle inventory on hand is depleted.

Gross Profit

During Q3-2017, gross profit decreased by \$141,109 to \$81,482 (Q3-2016 - \$222,591). This decrease was due to lower net revenues and higher cost of sales as discussed above, both of which are temporary as we transition from 20oz bottles into 16.9oz bottles. As a percentage of net revenue, gross profit declined during Q3-2017 to 18.7% from 33.9% during Q3-2016. We expect gross profit for the sale of Natural Cabana® Lemonade/Limeade to remain stable throughout 2017 due to stable sales prices, promotional programs and raw material costs.

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 Q3-2017 advertising, samples and displays expense decreased by \$8,815 to \$7,857 (Q3-2016 - \$16,672). This expense has consistently been 2% of net revenues and a decrease in net revenues as discussed above results in a decrease in advertising, samples and displays expense.

Freight-out

During Q3-2017, freight-out decreased by \$12,739 to \$55,226 (Q3-2016 - \$67,965). On a per case basis, freight-out increased by \$.19 per case to \$1.31 (Q3-2016 - \$1.12 per case). This increase was a result of higher shipping costs due to closing out of our Portland co-packer and the move from two warehouses to one warehouse. We expect freight-out, on a per case basis, to decrease due to lower transportation costs due to smaller packaging and due to the move to warehouse direct from direct to consumer.

General and administrative

Overall, we have rationalized our overhead to align our expenses to a new strategic way of conducting our business utilizing more warehouse direct distribution and utilizing strong international distributors that distribute, market and promote our brands in their territories. This reduces the amount of overhead we require to operate our business.

During Q3-2017, general and administrative expenses decreased by \$97,910 to \$252,022 (Q3-2016 - \$349,932). The majority of this decrease was due to \$nil bad debt expense during Q3-2017 compared to \$124,161 during Q3-2016 relating to a full allowance for a Mexico account receivable. Shareholder, broker and investor relations decreased by \$22,469 to \$14,001 (Q3-2016 - \$36,470). We employ an investor relations company to improve investor awareness. We paid them \$12,000 during Q3-2017 (Q3-2016 - \$33,250 including 250,000 shares issued at a fair value of \$21,250). Legal, professional and regulatory fees increased by \$72,766 to \$91,088 (Q3-2016 - \$18,321). This increase was due to more legal fees associated with the financings closed during Q3-2017 compared to Q3-2016. Travel decreased by \$4,485 to \$25,846 (Q3-2016 - \$30,691). This decrease was due to an overall effort to decrease this expense category and overhead in general.

Salaries and benefits and broker/agent's fees

During Q3-2017 salaries and benefits and broker/agent's fees decreased by \$70,281 to \$140,788 (Q3-2016 - \$211,069). During Q3-2016 we rationalized the number and placement of salespeople in the field. We concentrated on chain store listings and warehouse direct distributors 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 2017 and 2018 we expect this cost to be less than \$130,000 per quarter.

Other Income (Expense)

During Q3-2017, we incurred interest expense of \$70,519 (Q3-2016 - \$48,143). This was mainly made up of interest paid or payable to TCA of \$26,183, accrued interest of \$10,135 relating to the Old Main #2 convertible note, \$21,517 paid on our future receipts and factoring arrangements and \$8,941 accrued on other convertible notes. During Q3-2017, we incurred a loss in fair value of derivative liabilities of \$473,027 (Q3-2016 - \$nil) and accretion of discount on convertible debenture of \$405,020 (Q3-2016 - \$172,073). During Q3-2017 we recorded a gain on extinguishment of convertible debentures of \$403,531 (Q3-2016 - \$nil). During Q3-2017 we did not incur a financing expense (Q3-2016 - \$40,000 was incurred). We expect these two non-cash expenses to remain due to the nature of our current and ongoing financing arrangements.

Net Loss

Net loss for Q3-2017 increased by \$238,875 to \$922,137 (Q3-2016 - \$683,262). This increase was mainly due to non-cash expenses such as: accretion of discount on convertible debentures of \$405,020 and a \$473,027 loss in change in fair value of derivatives. Net loss was also significantly impacted in a temporary reduction in gross profit as discussed above.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

The discussion that follows is derived from our interim unaudited Condensed Consolidated Statements of Operations for the nine months ended September 30, 2017 ("YTD-2017") and September 30, 2016 ("YTD-2016").

Statements of Operations	YTD-2017	YTD-2016	Increase (Decrease)	Increase (Decrease)
Gross Sales	\$ 1,264,672	\$ 2,450,949	(\$ 1,186,277)	(48%)
Less: promotion/slotting	(80,362)	(151,192)	70,830	(47%)
Net Sales	1,184,310	2,299,757	(1,115,447)	(49%)
Cost of Sales	926,661	1,517,370	590,709	(18%)
Gross Profit	257,649	782,387	(524,738)	(67%)
Expenses				
Advertising, samples and displays	32,701	53,911	(21,210)	(39%)
Asset impairment	2,691	8,268	(5,577)	(67%)
Freight-out	151,897	227,218	(75,321)	(33%)
General and administration	767,851	904,713	(136,861)	(15%)
Salaries, benefits and agent's fees	419,132	713,922	(294,791)	(41%)
Stock-based compensation	-	3,939	(3,939)	(100%)
Total Operating Expenses	1,374,272	1,911,971	(537,698)	(28%)
Net Operating Loss	(1,116,623)	(1,129,584)	(12,960)	(1%)
Other Income (Expense)				
Financing expense	-	(40,000)	(40,000)	(100%)
Interest expense	(252,281)	(120,530)	131,750	109%
Accretion of discount on convertible debentures	(1,124,763)	(423,007)	701,756	166%
Gain on extinguishment of convertible debentures	403,531	-	403,531	100%
Loss in fair value of derivatives	(1,375,241)	-	1,375,241	100%
Total Other Income (Expense)	(2,348,754)	(583,537)	1,661,537	242%
Net Loss from Continuing Operations	(3,465,377)	(1,713,121)	1,752,256	102%
Loss from Discontinued Operations	-	(103,680)	(103,680)	(100%)
Net Loss	(\$ 3,465,377)	(\$ 1,816,801)	\$ 1,648,576	91%

Net Sales

We introduced Natural Cabana® Lemonade in a 20oz glass bottle in 2012 and since then have developed a US regional distribution system. During July 2016, we began eliminating a number of weaker, non-performing and slow-paying distributors and now have approximately 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 which has led to reductions in overhead associated with direct store delivery distributors. The continued decrease in net sales during YTD-2017 compared to YTD-2016 was expected. As part of the restructure we switched our packaging for Natural Cabana® Lemonade/Limeade from a 20oz glass bottle to a 16.9oz European style glass bottle used in the making of Citrus Tree and Pulse Heart Health. This change has been well received in the market place and we expect to continue to deliver our products in this packaging. Our net revenue during YTD-2017 was impacted as a result of offering discounts to our distributors to clear out the 20oz product to make room for the 16.9oz product.

Some of the more notable regional and national grocery and convenience chain stores are: Albertsons/Safeway/Tom Thumb Markets, Walmart, Kroger/King Soopers/City Markets, Stater Bros, Food Max, Houchens/IGA/IGA Express/IGA Cross Roads, Kmart, 7-Eleven, United C-stores, Weis Markets, King Kullen, Dierbergs Markets, Hy-Vee Supermarket, WinCo Foods, Price Less Markets, Gristede's Foods, Toot n Totem, Travel America, Smashburger, Bolla Markets, Shop-Rite Grocery, Natural Foods, Flash Foods and Associated Foods.

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.

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

During YTD-2017, our aggregate gross revenues compared to YTD-2016 decreased by \$1,186,277 to \$1,264,672 (YTD-2016 - \$2,450,949). The most significant reason for the decline is due to selling our Canadian business to our Canadian distributor during Q4-2016. Canadian sales during YTD-2016 was \$385,920 compared to \$nil during YTD-2017. Additionally, during the last six months of 2016, we determined that it was necessary to re-structure how we organized our business to lower our overhead and increase our productivity so that we could, in the future, sell more product at a lower cost. In the short-term this, coupled with our cash crunch, impacted our ability to sell and deliver product which had a short-term negative impact on our sales. We believe that over the long-term these structural changes will enhance shareholder value. The impact of these decisions will be evident in all aspects of our business.

During YTD-2017 gross revenues, on sale of 85,667 cases (YTD-2016 - 170,095 cases) of 16.9oz and 20oz. Natural Cabana® Lemonade/Limeade, declined by \$1,073,229 to \$937,664 (YTD-2016 - \$2,010,893). The most significant reason for the decline is due to selling our Canadian business to our Canadian distributor during Q4-2016. Canadian sales during YTD-2016 was \$385,920 compared to \$nil during YTD-2017.

In April 2016, we introduced our Lemonade/Limeade formula in a 16.9oz glass bottle package under a private label “Citrus Tree”. During YTD-2017 gross revenues, on sale of 946 cases (Q3-2016 – 2,691 cases) of Citrus Tree, declined by \$34,142 to \$745 (Q3-2016 - \$34,887). During Q3-2017 we cleared out remaining Citrus Tree product at \$1.35 per case.

During YTD-2017 gross revenues, on sale of 27,796 cases (YTD-2016 – 37,226 cases) of Natural Cabana® Coconut Water, decreased by \$78,906 to \$326,263 (YTD-2016 - \$405,169).

During YTD-2017 our aggregate net sales, after promotional allowances and slotting fees, decreased by \$1,115,447 to \$1,184,310 (YTD-2016 - \$2,299,757). During YTD-2017, promotional allowances and slotting fees, decreased by \$70,830 to \$80,362 (YTD-2016 - \$151,192). As a percentage of gross sales, promotional allowances and slotting fees increased to 6.35% (YTD-2016 – 6.17%).

Cost of Sales

During YTD-2017 cost of sales decreased by \$590,708 to \$926,662 (YTD-2016 – \$1,517,370). This decrease was due to lower net revenues. As a percentage of net revenue, cost of sales increased to 78.2% from 66%. This was a result of short-term excessive cost of 16.9oz bottles which were paid for many years ago and kept in inventory attracting storage costs. Once the remaining 16.9oz bottle inventory of 2,500 cases is depleted our cost will significantly reduce. We expect cost of sales to produce Natural Cabana® Lemonade/Limeade in the 16.9oz bottle to significantly reduce during the remainder of the year once the bottle inventory on hand is depleted.

Gross Profit

During YTD-2017, gross profit decreased by \$524,738 to \$257,649 (YTD-2016 - \$782,387). This decrease was due to lower net revenues and higher cost of sales as discussed above, both of which are temporary as we transition from 20oz bottles into 16.9oz bottles. As a percentage of net revenue, gross profit declined during YTD-2017 to 21.76% from 34% during YTD-2016. We expect gross profit for the sale of Natural Cabana® Lemonade/Limeade to remain stable throughout 2017 due to stable sales prices, promotional programs and raw material costs.

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-2017 advertising, samples and displays expense decreased by \$21,210 to \$32,701 (YTD-2016 - \$53,911). This expense has consistently been between 2% and 3% of net revenues and a decrease in net revenues as discussed above results in a decrease in advertising, samples and displays expense.

Freight-out

During YTD-2017, freight-out decreased by \$75,321 to \$151,897 (YTD-2016 - \$227,218). On a per case basis, freight-out increased by \$.25 per case to \$1.33 (YTD-2016 - \$1.08 per case). The increase was a result of higher shipping cost due to closing out of our Portland co-packer and the move from two warehouses to one warehouse. We expect freight-out, on a per case basis, to decrease due to lower transportation costs due to smaller packaging and due to the move to warehouse direct from direct to consumer.

General and administrative

Overall, we have rationalized our overhead to align our expenses to a new strategic way of conducting our business utilizing more warehouse direct distribution and utilizing strong international distributors that distribute, market and promote our brands in their territories. This reduces the amount of overhead we require to operate our business.

During YTD-2017, general and administrative expenses decreased by \$136,861 to \$767,851 (YTD-2016 - \$904,712). The majority of this decrease was due to \$5,947 bad debt expense during YTD-2017 compared to \$164,161 during YTD-2016 relating to a full allowance for a Mexico account receivable. Shareholder, broker and investor relations decreased by \$11,833 to \$78,883 (YTD-2016 - \$90,715). We employ an investor relations company to improve investor awareness. We paid them \$68,800 during YTD-2017 (YTD-2016 - \$24,000 in cash and 500,000 shares having a fair value of \$51,041). Legal and professional fees increased by \$128,988 to \$234,659 (YTD-2016 - \$105,671). This increase was due to more legal fees associated with the financings closed during YTD-2017 compared to YTD-2016. Travel decreased by \$43,739 to \$72,650 (YTD-2016 - \$116,389). This decrease was due to an overall effort to decrease this expense category and overhead in general.

Salaries and benefits and broker/agent's fees

During YTD-2017 salaries and benefits and broker/agent's fees decreased by \$294,791 to \$419,131 (YTD-2016 - \$713,922). During YTD-2016 we rationalized the number and placement of salespeople in the field. We concentrated on chain store listings and warehouse direct distributors 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 2017 we expect this cost to be less than \$130,000 per quarter.

Stock-based compensation

During YTD-2016 we incurred \$3,939 of stock-based compensation due to the value of vested stock options (YTD-2017 - \$nil). We have no further unrecognized stock-based compensation cost to record.

Net Operating Loss

Net operating loss for YTD-2017 decreased by \$12,960 to \$1,116,623 (YTD-2016 - \$1,129,584). Offsetting the \$524,738 decline in gross profit was an overall reduction of expenses of \$537,698. 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)

During YTD-2017, we incurred interest expense of \$252,281 (YTD-2016 - \$120,530). This was mainly made up of interest paid or payable to TCA of \$92,050, default interest added to convertible debentures totalling \$71,750, \$8,788 of interest incurred on bridge loans, accrued interest of \$19,246 relating to the Old Main #2 convertible note, \$34,064 paid on our future receipts and factoring arrangements and \$14,236 accrued on other convertible notes. During YTD-2017, we incurred a loss in fair value of derivative liabilities of \$1,375,241 (YTD-2016 - \$nil) and accretion of discount on convertible debenture of \$1,124,763 (YTD-2016 - \$423,007). During YTD-2017 we recorded a gain on extinguishment of convertible debentures of \$403,531 (YTD-2016 - \$nil). During YTD-2017 we did not incur a financing expense (YTD-2016 - \$40,000 was incurred). We expect these two non-cash expenses to remain due to the nature of our current and ongoing financing arrangements.

Net Loss from Continuing Operations

Net loss from continuing operations for YTD-2017 increased by \$1,752,256 to \$3,465,377 (YTD-2016 - \$1,713,121). This increase was mainly due to non-cash expenses such as: accretion of discount on convertible debentures of \$1,124,763 and a \$1,375,241 loss in change in fair value of derivatives offset by a gain on extinguishment of debt of \$403,531. Net loss was also significantly impacted in a decline in gross profit of \$524,738 as discussed above.

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 during YTD-2017 increased by \$1,648,576 to \$3,465,377 (YTD-2016 - \$1,816,801) This increase was mainly due to non-cash expenses such as: accretion of discount on convertible debentures of \$1,124,763 and a \$1,375,241 loss in change in fair value of derivatives offset by a gain on extinguishment of debt of \$403,531. Net loss was also significantly impacted in a decline in gross profit of \$524,738 as discussed above. We also incurred a loss from discontinued operations of \$103,680 (YTD-2015 - \$nil).

LIQUIDITY AND CAPITAL RESOURCES

The discussion that follows is derived from our interim unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2017 ("2017") and September 30, 2016 ("2016").

Overview

During 2017, our cash position decreased by \$79,753 to \$79,907 and our working capital decreased by \$924,726 to negative \$2,612,921 from negative \$1,688,195 as at December 31, 2016. As at September 30, 2017, our current assets consisted of: cash of \$79,907; accounts receivable of \$267,090; inventories of \$510,320 (including finished product of \$228,872, inventory in transit of \$83,313 and raw materials of \$198,135); and prepaid expenses of \$8,050. Our current liabilities include accounts payable of \$334,029, accrued expenses of \$65,715, credit card indebtedness of \$22,003, distributor's in a credit balance of \$11,040, fees owing to an advisory board member of \$207,220, an amount owing to our CEO of \$18,147, promissory notes payable of \$15,114, convertible debentures, net of discount, of \$260,025, derivative liability of \$1,223,928, and loans payable of \$1,321,068.

The following table sets forth the major sources and uses of cash for 2017 and 2016:

	2017	2016
Net cash used in operating activities	(\$ 827,758)	(\$ 803,784)
Net cash used in investing activities	-	(22,547)
Net cash provided by financing activities	748,005	476,483
Net (decrease) in cash	(\$ 79,753)	(\$ 349,848)

Cash Used in Operating Activities

During 2017, we used cash of \$827,758 in operating activities. This was made up of the net loss of \$3,465,377 less adjustments for non-cash items such as: shares and options issued for services of \$11,700, amortization and depreciation of \$66,706, amortization to interest expense of debt issuance costs of \$9,500, default interest added to convertible loans of \$71,750, interest and expenses paid through a debt swap of \$143,449, loss on change in fair value of derivative liability of \$1,375,241, accretion of discount on convertible debenture of \$1,124,763 offset against a gain on extinguishment of convertible debentures of \$403,531; all totaling \$2,410,195. After non-cash items, the net cash loss was \$1,055,182 compared to a cash loss during 2016 of \$992,980. Our net cash received from operating activities as a result of changes in operating assets and liabilities was \$227,424 due to an increase in accounts receivable of \$131,383, a decrease in inventories of \$271,149, a decrease in prepaid expenses of \$13,535 and an increase in accounts payable and accrued expenses of \$74,123.

During 2016 we used cash of \$803,784 in operating activities. This was made up of the net loss of \$1,816,801 less adjustments for non-cash items such as: asset impairment of \$8,268, bad debt allowance of \$164,161, accretion of debt issuance costs of \$423,005, shares and options issued for services of \$140,122, amortization and depreciation of \$88,265; all totaling \$823,821. After non-cash items, the net loss was \$992,980. Our net cash received from operating activities as a result of changes in operating assets and liabilities was \$189,192 due to an increase in accounts receivable of \$159,291, a decrease in inventories of \$6,270, an increase in prepaid expenses of \$104 and an increase in accounts payable and accrued expenses of \$354,649.

Cash Used in Investing Activities

During 2017, we did not use any cash 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.

Cash Provided by Financing Activities

During 2017, we received \$748,005 from financing activities, which consisted of \$800 received from our Chief Executive Officer for purchase of 300,000 Series A Preferred Shares, \$44,500 received pursuant to a Revenue Factoring Loan Agreement, \$90,000 received pursuant to a Future Payment Rights Agreement, \$851,500 received pursuant to convertible notes, which were offset by \$182,322 repayment of loans payable and \$56,473 repayment of promissory notes.

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 nine months ended September 30, 2016 we received gross proceeds of \$850,000 less transaction costs of \$86,640 for net proceeds of \$763,360. During 2016 we repaid a total of \$286,877.

Additional Capital

Our continuation as a going concern is dependent upon our ability to obtain necessary debt and/or equity financing to fund our growth strategy, pay debt when due, to continue operations, and to attain profitability. As at September 30, 2017 we had a working capital deficit of \$2,612,921, cumulative losses of \$20,160,094 and a stockholders' deficit of \$2,441,752. All of these factors combined raises substantial doubt regarding our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. Since our inception through September 30, 2017, we have obtained funds primarily from the issuance of common stock and debt. Management believes this funding will continue, and is continually seeking new investors. Management believes the existing shareholders and lenders and prospective new investors will provide the additional cash needed to meet our obligations as they become due, and will allow the development of our core business.

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. We believe our debt and equity financing alternatives will be made available to us to support our working capital needs in the future. These alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders.

OFF BALANCE-SHEET ARRANGEMENTS

We have not had, and at September 30, 2017, 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 considering current and forecasted economic conditions. While there are several 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 trademarks that represent our exclusive ownership of “Natural Cabana®”, used in connection with the manufacture, sale and distribution of our products. We do not amortize trademarks as they have an indefinite life; we amortize our website over a period of 5 years on a straight-line basis. 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 three months ended September 30, 2017, 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 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 September 30, 2017. Based on that evaluation, it was concluded that our disclosure controls and procedures were ineffective as of December 31, 2016.

Changes in Internal Control over Financial Reporting

The Certifying Officers have also indicated that there were no changes in internal controls over financial reporting during the three months ended September 30, 2017.

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 2016 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 during the three months ended September 30, 2017

- a) Between July 18, 2017 and September 22, 2017, a total of \$187,269 of the Old Main debt was converted into 228,192,504 common shares at an aggregate average price of \$0.001 per share;
- b) Between July 5, 2017 and July 24, 2017, a total of \$19,416 of the GHS loan and interest was converted into 18,878,681 common shares at an aggregate average price of \$0.001 per share; and
- c) Between July 18, 2017 and September 18, 2017, a total of \$73,000 of the Power Up loan and interest of \$2,970 was converted into 81,588,918 common shares at an aggregate average price of \$0.001 per share.

Subsequent Sales of Unregistered Securities

Subsequent to September 30, 2017, we have not issued any 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: November 13, 2017

BY: /s/ Robert E. Yates

Robert E. Yates, Principal Executive and Financial
Officer

**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: November 13, 2017

/s/

Robert Yates
Principal Executive Officer

**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: November 13, 2017

/s/

Robert Yates
Principal Financial Officer

**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 September 30, 2017, 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: November 13, 2017

By: */s/*

Robert Yates
Principal Executive and Financial Officer
