MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Swiss Water Decaffeinated Coffee Inc. ("Swiss Water" or the "Company"), dated as of November 5, 2024, provides a review of the financial results for the three and nine months ended September 30, 2024, relative to the comparable periods of 2023. The three month period represents the third quarter ("Q3") of our *2024 fiscal year. This MD&A should be read in conjunction with Swiss Water's condensed consolidated interim financial statements for the three and nine months ended September 30, 2024, the audited consolidated financial statements for the year ended December 31, 2023, and in conjunction with the Annual Information Form ("AIF"), which are available on SEDAR+. All financial information is presented in Canadian dollars unless otherwise specified.*

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements, including statements regarding the future success of our business and market opportunities. Forward-looking statements typically contain words such as "believes", "expect", "anticipate", "continue", "could", "indicates", "plans", "will", "intend", "may", "projects", "schedule", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) expectations regarding Swiss Water's future success in various geographic markets; (ii) future financial results, including anticipated future sales and processing volumes; (iii) future dividends; (iv) the expected actions of the third parties described herein; (v) factors affecting the coffee market including supplies and commodity pricing; (vi) the expected cost to complete upgrades to production lines; and (vii) the business and financial outlook of Swiss Water. In addition, this MD&A contains financial outlook information that is intended to provide general guidance for readers based on our current estimates, which are based on numerous assumptions and may prove to be incorrect. Therefore, such financial outlook information should not be relied upon by readers. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these statements. These risks include but are not limited to, risks related to processing volumes and sales growth, operating results, supply of coffee, supply of utilities, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, interest rate risks, the timing of any new equipment upgrades, inflation, costs and financing of capital projects, general economic conditions and those factors described herein under the heading 'Risks & Uncertainties'.

The forward-looking statements contained herein are also based on assumptions that we believe are current and reasonable, including but not limited to, assumptions regarding: (i) trends in certain market segments and the economic climate generally; (ii) the financial strength of our customers; (iii) the value of the Canadian dollar versus the US dollar ("US$"); (iv) the expected financial and operating performance of Swiss Water going forward; (v) the availability and expected terms and conditions of debt facilities; (vi) the expected level of dividends payable to shareholders; (vii) the potential impact of pandemics (viii) the potential impact of any war and terrorist activity (ix) the potential impact on any labour union disputes and (x) the potential impact of environmental changes or unexpected acts of God. We cannot assure readers that the actual results will be consistent with the statements contained in this MD&A. The forward-looking statements and financial outlook information contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Swiss Water undertakes no obligation to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.

EXECUTIVE SUMMARY

The following selected information, other than Adjusted EBITDA, was derived from the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2024, prepared in accordance with IAS 34 as issued by the IASB. For the definition of Adjusted EBITDA, refer to the Non-IFRS Measures section of this MD&A.

In $000s except per share amounts (unaudited)	3 months ended September 30		9 months ended September 30	
	2024	2023	2024	2023
Revenue	$ 41,778	$ 32,627	$ 123,880	$ 125,040
Gross profit	6,436	3,576	19,216	11,882
Operating income	2,780	758	7,892	2,258
Net loss	(791)	(417)	(744)	(1,489)
Adjusted EBITDA[1]	2,161	1,539	9,433	8,346
Net loss per share – basic	$ (0.08)	$ (0.05)	$ (0.08)	$ (0.16)
Net loss per share – diluted[2]	$ (0.08)	$ (0.05)	$ (0.08)	$ (0.16)

[1] Adjusted EBITDA is defined in the 'Non-IFRS Measures' section of this MD&A and is a "Non-GAAP Financial Measure" as defined by CSA Staff Notice 52-306.

[2] Per-share calculations are based on the weighted average number of shares outstanding during the periods. Diluted earnings per share take into account shares that may be issued upon the exercise of warrants and RSUs.

We experienced increased demand for our chemical-free decaffeinated coffee offerings during the third quarter of this year, and returned to year-over-year volume growth on a year-to-date basis for the first time in 2024. However, when comparing quarterly results for 2024 with the same periods last year, it is important to note that the distribution of quarterly sales volumes in 2023 did not follow normal seasonality patterns. In particular, Swiss Water reported much stronger than normal volume growth and financial results during the first and fourth quarters of 2023. In the first six months of last year, this was mainly due to the front loading of customer sales orders in anticipation of the temporary production constraints resulting from our exit from our legacy Burnaby site during the second quarter, prior to the full commissioning of our second new decaffeination line at our Delta, BC facility. As our new Delta Line 2 ramped up over the summer and fall of last year, and with all production now consolidated in one location, the order backlogs built up over the transition from Burnaby were processed and shipped during Q4 of 2023. With this context in mind, the year-over-year double-digit growth in volumes during Q3 this year was expected, when compared with the abnormally low volume we recorded during the third quarter of last year.

Operational highlights

- Total processing volumes for the three and nine months ended September 30, 2024 increased by 27% and 4% respectively, compared to the same periods in 2023. The year-over-year improvement was expected, as the volumes we reported in the third quarter last year were lower than normal levels due to the capacity constraints we experienced during the period. With all production now consolidated in Delta and both decaffeination lines running 24/7, except for planned maintenance, we were not capacity constrained during the first nine months of this year and have returned to a more normal distribution of sales.
- Our largest geographical market by volume in the third quarter of this year was the United States, followed by Canada and international markets. By dollar value, 49% of our sales in the quarter were to customers in the United States, 26% were to Canadian customers, and the remaining 25% were to international customers. For the nine months, we recorded sales of $123.9 million which represents a $1.2 million, or

1%, decrease from the 2023 level. The slight drop in revenue was expected and was mainly due to changes in our sales mix, with toll volumes, which do not include green coffee revenue, comprising an increased share of sales this year.

- The value of our inventory position increased sequentially during the quarter when compared to the first three months of this year. Although the volume of inventory held is slightly higher, the main driver of the increase was a higher NY'C' coffee commodity price. We remain focused on optimizing inventory levels and proactively managing our working capital commitments. However, exports from coffee origin countries have once again started to slowdown, and we are seeing indications that rising coffee prices are negatively impacting the efficient flow of coffee from some growing regions. In response, we have increased our inventories from some origins to guarantee the availability of coffee for our customers.
- The NY'C' coffee futures price for Arabica coffee remained volatile during Q3, peaking at US$2.74/lb in late September. Spot availability of coffees remains very low and pressure on the futures market intensified during the quarter. Moving forward, the higher prices and backward dated coffee market may result in a softening of consumer demand and thus our volumes shipped to roasters.
- Last year's consolidation of all our operations at one location continued to generate efficiencies from reduced utilities consumption, staffing, and maintenance during both the quarter and nine month periods.

Financial highlights

- Revenue for the three and nine months ended September 30, 2024, was $41.8 million and $123.9 million respectively, which represents a $9.2 million increase in the quarter and a $1.2 million decrease for the year-to-date, when compared to the same periods last year. The Q3 increase was driven by increased volume, which grew by 27% over the Q3 2023 level. The decrease in the nine-month period was mainly due to higher proportion of toll sales which do not generate green coffee revenue.
- In January of last year, we reduced the estimated useful life of the non-salvaged assets at our legacy production facility in Burnaby, by 12 years. The useful life of these assets was re-aligned against the final production date at the site, which was in April 2023. At the time of the change in estimate, these assets had a carrying value of approximately $3.0 million. The financial impact of the change in estimate was a one-time incremental depreciation expense of $2.5 million for the nine months ended September 30, 2023. There was no such change in estimate during the comparable period this year, as we had fully exited the Burnaby location in June 2023.
- Gross profit for the three and nine months ended September 30, 2024, was $6.4 million and $19.2 million respectively, which represents a $2.9 million in the third quarter and a $7.3 million increase for the year-to-date, when compared to the same periods in 2023. Gross margin percentage for the quarter was 15%, up from 11% in Q3 last year. For the nine months, it was 16%, up significantly from 10% for the same period last year. The improvement was driven by cost savings associated with the consolidation of operations at one location, lower utility rates, and the $2.5 million decrease in one-time depreciation expense mentioned above. These positive factors were partially offset by an increase in operating expenses associated with planned headcount and wage increases, higher professional fees, and increased stock-based compensation expense because of an increase in our share price.
- The net loss for the three and nine months ended September 30, 2024, was $0.8 million and $0.7 million respectively, compared to a net loss of $0.4 million in Q3 and $1.5 million in the nine-month period in 2023. The loss in both periods last year was largely due to the one-time costs we incurred as we exited our legacy Burnaby facility. This year, we recorded a much improved gross margin, as described above.

However, the positive impact of the margin improvement was offset by losses on the revaluation of our embedded option and mark-to-market adjustments to stock-based compensation as a result of an increase in our share price. Higher interest expenses on our construction loans and increased mark-to-market losses on our risk management activities also impacted our profitability this year.

- Adjusted EBITDA[1] for the three and nine months ended September 30, 2024, was $2.2 million and $9.4 million respectively, which represents a $0.6 million increase in the quarter and a $1.1 million increase for the year-to-date, when compared to the same periods last year. The improvement in adjusted EBITDA[1] was primarily driven by the same factors influencing gross profit, as described above. These positive impacts were partially offset by higher operating expenses and increased losses on risk management activities as a result of the near record coffee futures prices experienced this year.
- During the first half of this year, we managed our Inventory levels down. This was partially due to the consumption of the last remaining coffee inventories we had built up to bridge the production constraints experienced last year during the transition from Burnaby and the consolidation of all processing in Delta. At the same time, shipping delays effecting freight passing through the Panama Canal slowed the arrival of coffee into Vancouver throughout the first nine months of this year. To offset the risk of delayed deliveries impacting our ability to meet our commitments to customers, we once again increased our inventories from some origins during the third quarter. As a result, when combined with the effect of a rising NY'C', our closing third quarter inventory value rose to $38.0 million from $28.8 million at the end of the second quarter. At the current level we have sufficient inventory on hand to support our operations and near-term growth.

NON-IFRS MEASURES

Adjusted EBITDA

Adjusted EBITDA is a Non-GAAP measure that is often used by publicly traded companies as a measure of cash from operations, as it excludes financing costs, taxation, and non-cash items. We believe that disclosing this Non-IFRS measure provides readers of this MD&A with important information regarding Swiss Water's financial performance and our ability to pay distributions to stakeholders. By considering Adjusted EBITDA in combination with IFRS, we believe that readers are provided with additional and more useful information about Swiss Water than readers would have if they simply considered IFRS measures alone. Reported Adjusted EBITDA is intended to assist readers with their own financial analysis. However, since this measure does not have a standardized meaning prescribed by IFRS, it is unlikely to be comparable to similar measures presented by other entities.

We define Adjusted EBITDA as net income before interest, depreciation, amortization, impairments, share-based compensation, gains/losses on foreign exchange, gains/losses on disposal of property and equipment, fair-value adjustments on embedded options, gains/losses on extinguishment of debt, adjustment for the impact of IFRS 16 – Leases, other gains/losses related to asset retirement obligation and provision for income taxes. Our definition of Adjusted EBITDA also excludes unrealized gains and losses on the undesignated portion of foreign exchange forward contracts.

Adjusted EBITDA for the three and nine months ended September 30, 2024, was $2.2 million and $9.4 million respectively, which represents a $0.6 million for the quarter and a $1.1 million increase for the year-to-date, when compared to the same periods last year. The increase in adjusted EBITDA was primarily driven by the

[1] Adjusted EBITDA is defined in the 'Non-IFRS Measures' section of the MD&A and is a "Non-IFRS Financial Measure" as defined by CSA Staff Notice 52-306.

factors influencing gross profit, as described above, partially offset by higher operating expenses and increased losses on risk management activities.

To help readers better understand our financial results, the following table provides a reconciliation between Adjusted EBITDA and operating income, the most comparable IFRS measure for the periods as indicated:

In $000s (unaudited)	3 months ended September 30 2024	2023	9 months ended September 30 2024	2023
Operating income	$ 2,780	$ 758	$ 7,892	$ 2,258
Depreciation & amortization	1,765	1,416	5,160	7,436
Share-based compensation	251	164	975	467
Gain (loss) on risk management activities	(1,970)	(360)	(2,638)	101
Unrealized (gain) loss on foreign exchange forward contracts	(25)	191	(37)	89
Impact of IFRS 16 - Leases	(640)	(630)	(1,919)	(2,005)
Adjusted EBITDA	$ 2,161	$ 1,539	$ 9,433	$ 8,346

The reconciliation of net income, an IFRS measure, to Adjusted EBITDA is as follows:

In $000s (unaudited)	3 months ended September 30 2024	2023	9 months ended September 30 2024	2023
Net loss for the period	$ (791)	$ (417)	$ (744)	$ (1,489)
Income tax (recovery) expense	(309)	(363)	191	(434)
Loss before tax	$ (1,100)	$ (780)	$ (553)	$ (1,923)
Finance income	(509)	(274)	(1,415)	(1,137)
Finance expense	2,294	2,027	6,875	5,939
Depreciation & amortization	1,765	1,416	5,160	7,436
Unrealized (gain) loss on foreign exchange forward contracts	(25)	191	(37)	89
Fair value (gain) loss on the embedded option	(144)	(310)	664	(202)
Other gains	-	-	-	(175)
Loss (gain) on foreign exchange	269	(265)	(317)	(143)
Share-based compensation	251	164	975	467
Impact of IFRS 16 - Leases	(640)	(630)	(1,919)	(2,005)
Adjusted EBITDA	$ 2,161	$ 1,539	$ 9,433	$ 8,346

OUTLOOK

Looking ahead, Swiss Water is well positioned for the future following the consolidation of production onto one site last year. Our two modern production lines offer opportunities to optimize our operational processes and further enhance the quality of our premium decaffeinated coffee offerings. The performance of our production assets has been good and we are optimistic that we can utilize what we have learned from operating Line 1 to unlock further efficiency gains on our newer second line (Line 2). Furthermore, we will take advantage of the larger processing capacity on our newest line to establish base lines on longer runs and enable future quality improvements.

Operationally, Swiss Water has been running at very high utilization rates over the last two years. The consolidation of operations in Delta, BC has released this pressure somewhat and our near-term growth is not expected to be constrained by available capacity. Furthermore, the consolidation of production in one location has unlocked value creation efficiencies which began to be fully realized in 2024 and are expected to continue going forward.

Current production rate and capacity utilization metrics indicate that, with some modest targeted investment, we have adequate capacity to satisfy our anticipated growth needs over the medium term.

Volatility in the coffee futures market persisted throughout the first nine months of this year. Although Swiss Water returned to year-over-year volume growth during the third quarter, the NY'C' coffee commodity price remains close to a record high, and logistical challenges in shipping coffee from origin persist. Looking forward through the remainder of 2024, we are seeing evidence that many roasters are choosing to replenish their inventories more slowly than anticipated due to the affordability concerns caused by a persistently high NY'C'.

Rapid increases in the NY'C' and elevated volatility destabilize short-term demand for our decaffeinated coffees as roasters delay orders to reduce their working capital commitments. This effect is magnified by high interest rates. In a balanced market, price is fundamentally driven by the availability of coffee. The NY'C' and London Robusta markets have risen to near record highs, and both remain inverted. This is leading to slowing roaster demand, collapsed importer inventories and increased risk management costs. It has also resulted in very limited spot availability for coffees to backfill supply chain issues, leading to some shortages.

On a financial note, we are scheduled to fully repay the $15.9 million (principal and accrued interest) Debenture with Warrants held by Mill Road Capital (MRC) during the fourth quarter of this year. This repayment will reduce our overall debt and future interest expenses. With $15.0 million in cash reserves at the end of Q3, we anticipate that the repayment will primarily be funded using, but not limited to, available cash reserves and proceeds from operations. These funds can be supplemented by incremental borrowings on our existing debt facilities, as needed. Further details, and confirmation of the repayment are provided in our Subsequent Event note at the end of this document.

Despite the underlying strength of our business, uncertainty persists. Inflationary pressures persist and, while interest rates are easing, they remain higher than historical norms. Furthermore, geopolitical tension across the world has increased over the last year and doesn't look set to fall in the near term. We cannot reliably predict the ultimate effect these factors will have on global supply chains and customer demand. However, our chemical-free decaffeination services remain highly valued by our customers and are becoming increasingly relevant to health-conscious coffee consumers across the globe. With this in mind, we are optimistic that we will deliver volume growth and improved profitability in 2024. That said, deteriorating consumption trends are emerging across the coffee industry. There is a risk that these trends may persist if coffee prices remain at elevated levels, or market volatility intensifies.

As most readers know, the Swiss Water® Process is a chemical free method of decaffeinating coffee. In January of this year, the U.S. Food & Drug Administration filed a food additive petition and a colour additive petition that called on the agency to rescind its approvals for four carcinogens in food. Among these carcinogenic chemical additives being petitioned is methylene chloride, which is noted for its use in coffee decaffeination.

Furthermore, It is worth noting that in March of this year, the State of California considered a proposal regarding the use of Methylene Chloride to decaffeinate coffee. Methylene Chloride, which is already banned for use in paint strippers and cosmetics, is the most common chemical method used by our competitors to decaffeinate coffee. If enacted as legislation, the proposal would have required any entity that offers for sale coffee that has been decaffeinated using Methylene Chloride, to label the final product with a clear label stating "Methylene Chloride is used in the decaffeination of this product" beginning January 1, 2027. This proposal has now been formally withdrawn, and is no longer being considered by the State of California.

These recent actions by the U.S Food & Drug Administration and the State of California generated significant media coverage, and are clear signals of growing consumer demand for greater transparency regarding the products they eat and drink. As a result, there is growing consumer attention on decaffeination, and on the availability of chemical free alternatives, such as the Swiss Water® Process.

BUSINESS OVERVIEW

Swiss Water Decaffeinated Coffee Inc. is a premium green coffee decaffeinator located in Delta, British Columbia. We employ the proprietary Swiss Water® Process[1] to decaffeinate green coffee without the use of chemical solvents, leveraging science-based systems and controls to produce coffee that is 99.9% caffeine free. Our process is certified organic by the Organic Crop Improvement Association and is the world's only consumer-branded decaffeination process. Decaffeinating premium green coffee without the use of harmful chemical solvents is our primary business.

Our Seaforth Supply Chain Solutions subsidiary provides a complete range of green coffee logistics services including devanning coffees received from their origin; inspecting, weighing, and sampling coffees; and storing, handling, and preparing green coffee for outbound shipments. Seaforth provides all of Swiss Water's local green coffee handling and storage services. In addition, Seaforth handles and stores coffee for several other coffee importers and brokers and is the main green coffee handling and storage company in Metro Vancouver. Seaforth is organically certified by Ecocert Canada.

Swiss Water shares trade on the Toronto Stock Exchange under the symbol 'SWP'. As at the date of this report, 9,517,552 shares were issued and outstanding.

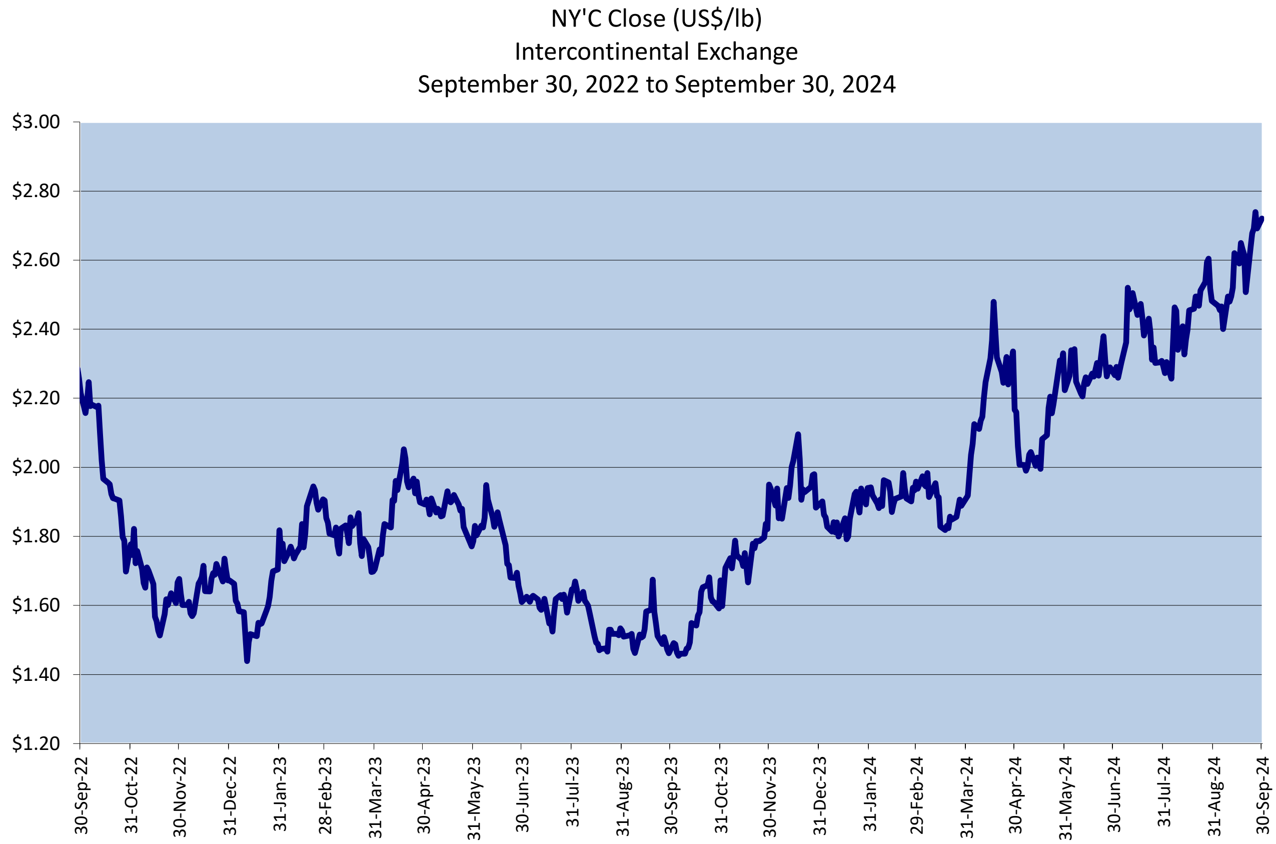
We carry an inventory of premium-grade Arabica and Robusta coffees that we purchase from the specialty green coffee trade, decaffeinate, and then sell to our customers (our "Regular" or "Non-Toll" business). Revenue from our Regular business includes both processing revenue and green coffee cost recovery revenue.

We also decaffeinate coffee owned by our customers for a processing fee under toll arrangements (our "toll" business). The value of the coffee processed under toll arrangements does not form part of our inventory, our revenue, or our cost of sales. Revenue from toll arrangements consists entirely of processing revenue.

Our cost of sales is comprised primarily of the cost of green coffee purchased for our regular business, plant labour and other processing costs directly associated with our production facility. This incorporates an allocation of fixed overhead costs, which includes depreciation of our production equipment and amortization of our proprietary process technology. For our regular business, we work with coffee importers to source premium-grade green coffees from coffee-producing countries located in Central and South America, Africa, and Asia. The purchase price is based on the NY'C' coffee futures price on the Intercontinental Exchange, plus a quality differential. The NY'C' component typically makes up more than 80% of the total cost of green coffee, while the quality differential typically accounts for less than 20%. Both the NY'C' price and the quality differential fluctuate in response to fundamental commodity factors that affect supply and demand.

[1] The Company is a registered owner of this trademark.

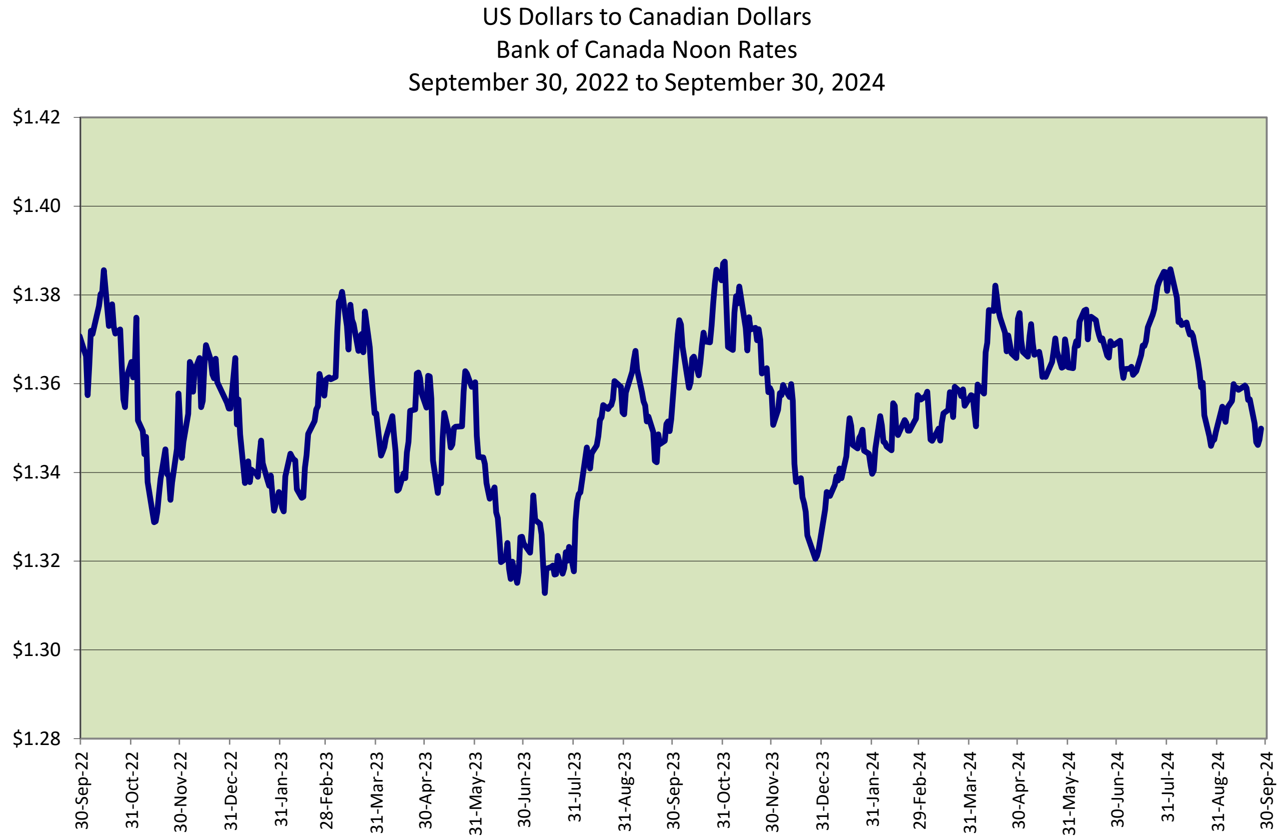
The chart below shows the movement in the NY'C' for the last eight quarters:



In Q3 2024, the NY'C' averaged US$2.46/lb, compared to an average of US$1.56/lb in Q3 2023. Year-to-date, the NY'C' averaged US$2.18/lb, compared to an average of US$1.71/lb in 2023. The rise and fall of the NY'C' affects our volume of shipments, our revenues, our cost of sales, and our working capital requirements. In an upward trending market, our customers tend to consume their own inventories rather than build them. When the NY'C' declines over a sustained period, our customers tend to add to their inventories.

The majority of our ("C$") revenues are generated in US dollars ("US$"), while a significant portion of our costs are paid in Canadian dollars. Accordingly, we have exposure to changes in the US$/C$ exchange rates. This is managed, in part, through derivative financial instruments. All other factors being equal, our profitability and cash from operations will be higher when the US dollar appreciates relative to the Canadian dollar. A long-term depreciation of the Canadian dollar will improve our long-term profitability and cash generation.

The chart below shows the US$ to C$ exchange rates for the last eight quarters:



In Q3 2024, the US$ averaged C$1.36, compared to an average of C$1.34 in Q3 2023. Year-to-date, the US$ averaged C$1.36, compared to an average of C$1.35 in 2023. When the US$ depreciates (appreciates), it decreases (increases) our gross profit on green coffee revenues.

OPERATING RESULTS

Revenue

We categorize our customers by the nature of their business: either coffee importers or roasters. Coffee importers act like grocery stores to roasters, sourcing and importing green coffee from various origins and carrying a selection of different origins and quality levels for roasters to choose from. Importers buy from us to resell our coffees to roasters when and where they need them. Roasters are in the business of roasting and packaging coffee for sale to consumers in their own coffee shops, or for home or office use. Roasters either buy directly from Swiss Water, or they buy from an importer. Roasters generally carry lower inventories as they tend to take delivery of green coffee shortly before roasting it. As such, when comparing fiscal periods, shipments to roasters are more stable than shipments to importers.

We also monitor and report our revenue in three categories. “Process revenue”, which represents the amount we charge our customers for decaffeinating green coffee. This generally increases as our processing volumes increase. “Green coffee cost recovery revenue”, or “Green revenue”, is the amount we charge our customers for the green coffee we purchase for decaffeination. “Distribution revenue” consists of shipping, handling, and warehousing charges billed to our customers. It typically rises with our processing volumes and with the growth of Seaforth's business.

Our revenue by category for the indicated period was:

In $000s (unaudited)	3 months ended September 30 2024	 2023	9 months ended September 2024	 2023
Process revenue	$ 8,920	$ 6,986	$ 26,484	$ 25,214
Green revenue	29,903	23,244	89,021	91,048
Distribution revenue	2,955	2,397	8,375	8,778
Total revenue	$ 41,778	$ 32,627	$ 123,880	$ 125,040

For the three and nine months ended September 30, 2024, sales totaled $41.8 million and $123.9 million respectively, which represents a $9.2 million or 28% increase for the quarter and a $1.2 million or 1% decrease for the nine months, when compared to the same periods last year. The Q3 increase was expected and driven by the lower-than-normal volumes reported during Q3 last year when we were temporarily capacity constrained. The year-to-date revenue decrease was mainly due to higher toll sales, which do not generate green coffee revenue.

Our sales for the three and nine months ended September 30, 2024, by revenue category, are as follows:

- Process revenue increased $1.9 million or 28% in Q3 and by $1.3 million or 5% for the year-to-date. The increases in both periods were due to higher processing volumes, when compared to the same periods in 2023.
- Green revenue increased by $6.7 million or 29% in Q3 and decreased by $2.0 million or 2% for the year-to-date. The quarterly increase reflects increased processing volumes, and higher NY'C' and green coffee differentials. The nine-month decrease was mainly due to an increased share of toll volumes, which do not generate green coffee revenue, in our sales mix, as well as lower green coffee differentials in the first half of the year. These negative movements were partially offset by the higher NY'C'.
- Distribution revenue increased by $0.6 million, or 23%, in Q3 and decreased by $0.4 million, or 5%, for the nine-month period. The quarterly increase reflects increased shipping volumes. The year-to-date decrease reflects lower freight rates and reduced shipping volumes, when compared to a period of volume loading during Q1 of last year.

Our sales volume by geographical segment for the three and nine months ended September 30, 2024, are as follows:

- Sales volume in North America increased by 30% in the third quarter and by 3% for the year-to-date.
- Sales volume in International markets increased by 19% in the quarter and by 8% for the nine months.

Cost of Sales

Cost of sales includes the cost of green coffee purchased for our regular business, plant labour, and other processing costs directly associated with our production facility. It also incorporates customer specific hedges and commodity hedges. The cost of sales includes an allocation of fixed overhead costs, incorporating depreciation of our production equipment and amortization of our proprietary process technology. In addition, cost of sales includes the costs of operating Seaforth's warehouse.

For the three and nine months ended September 30, 2024, cost of sales totaled $35.3 million and $104.7 million respectively, an increase of $6.3 million or 22% in the quarter and a decrease of $8.5 million or 8%, for the nine months, when compared to the same periods last year. The third quarter increase was primarily driven by increased volume and an elevated NY'C', partially offset by cost savings associated with the consolidation of operations at one location, and lower utility rates. Year-to-date, the decrease was primarily driven by cost savings associated with the consolidation of operations at one location, higher toll volumes, and the $2.5 million decrease in one-time depreciation expense mentioned above.

Gross Profit

For the three and nine months ended September 30, 2024, gross profit totaled $6.4 million and $19.2 million respectively, an increase of 2.9 million or 80% in the quarter and $7.3 million or 62% for the year-to-date, when compared to the same periods in 2023. Gross Profit has been positively impacted by increased processing volume, as well as cost savings and efficiencies generated from the consolidation of operations at a single location. By closing Burnaby and bringing all production into our Delta facility, we have reduced our costs for building maintenance, utilities, staffing, and transportation between locations.

The third quarter increase was also driven by lower utility usage and higher green coffee differential margins. For the year-to-date, the increase was also driven by the $2.5 million decrease in a one-time depreciation expense mentioned above. However, these positive effects were partially offset by inflationary pressures on some variable production costs.

Administration Expenses

Administration includes general management, inbound and outbound logistics, finance and accounting, quality control and assurance, engineering, research and development, and other administrative and support functions. Administration expenses include compensation expenses, travel and other personnel-related expenses for administrative staff, director fees, investor relations expenses, professional fees, and depreciation of office-related equipment.

For the three and nine months ended September 30, 2024, administration expenses totaled $2.7 million and $8.5 million respectively, an increase of $0.9 million or 47% in the quarter and $1.8 million or 26% for the nine months, when compared to the same periods last year. The primary drivers of the higher expense were an increase in stock-based compensation driven by growth in Swiss Water's share price, planned headcount and wage increases, and higher professional fees. These were partially offset by some cost savings resulting from the consolidation of our operations at one location.

Sales and Marketing Expenses

Sales and marketing expenses include compensation and other personnel-related expenses for sales and marketing staff, consumer initiatives, trade advertising, and promotion costs, as well as related travel expenses. We invest in research regarding the behavior of decaffeinated coffee consumers. These insights enable us to create effective consumer advertising programs, and they form the foundation of the consultative services we provide to our customers. We also aim to grow brand awareness with both the coffee trade and consumers. We employ a range of marketing activities to achieve this, including digital and print advertising, social media communications, sponsorship, and exhibiting at key industry events.

For the three and nine months ended September 30, 2024, sales and marketing expenses totaled $0.9 million and $2.8 million respectively, a decrease of nil or 0% in the quarter and $0.1 million or 3% for the year-to-date, when compared to the same periods in 2023. The main drivers for the small decrease in year to nine-month expenses were scheduling changes of marketing activities.

Gains and Losses on Risk Management Activities

Under hedge accounting, gains or losses on designated hedges are included in either revenue or cost of sales, held on our balance sheet, or included in other comprehensive income for future transactions (see 'Hedge Accounting' section). Thus, any gain or loss on risk management activities includes only those gains and losses on derivative financial instruments or portions of such instruments that are not designated as hedging instruments.

For the three and nine months ended September 30, 2024, we recorded a loss on risk management activities of $2.0 million and $2.6 million respectively, compared to a loss of $0.4 million and a gain of $0.1 million for the same periods in 2023. The main drivers of the difference were unrealized losses due to fluctuations in the NY'C' coffee commodity price and the devaluation of the Canadian versus US dollar exchange rate.

Finance Income and Finance Expenses

Finance income reflects the charges we bill customers for financing coffee inventories, as well as the interest earned on our cash balances. Finance expenses include interest costs on our credit facilities and bank debt, other borrowings, the accretion expense on our asset retirement obligation, interest expense on a debenture with warrants, and interest expense on finance leases.

For the three and nine months ended September 30, 2024, net finance expenses totaled $1.8 million and $5.5 million respectively, an increase of nil or 0% in the quarter and $0.7 million or 14% for the year-to-date, when compared to the same periods last year. The increase primarily relates to the fact that, following the commissioning of our second production line in Delta in Q3 of 2023, the interest on construction loans for this line was no longer capitalized.

Gains and Losses on Foreign Exchange

We realize gains and losses on transactions denominated in foreign currencies when they occur, and on assets and liabilities denominated in foreign currencies when they are translated into Canadian dollars as at the financial statement date.

For the three and nine months ended September 30, 2024, we recorded a loss on foreign exchange of $0.3 million and a gain of $0.3 million respectively, compared to gains of $0.3 million and $0.1 million for the same periods in 2023. The fluctuations in foreign exchange are due to movements in the Canadian versus US dollar as the exchange rate averaged C$1.36 in Q3 2024, compared to C$1.34 in Q3 2023. Year-to-date, the exchange rate averaged C$1.36, compared to an average of C$1.35 in 2023.

Gains and Losses on Fair Value of Embedded Option

The fair value of the embedded option relates to the warrants with Mill Road Capital, which was amended effective November 22, 2022. Under IFRS, the warrants are deemed to contain an embedded option that is revalued at each balance sheet date. The fair value of the derivative liability was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on our best estimate at each balance sheet date.

The revaluation of this embedded option resulted in a gain of $0.1 million and a loss of $0.7 million for the three and nine months ended September 30, 2024 respectively, compared to a gain of $0.3 million and $0.2 million for the same periods in 2023. The fluctuations are due to movements in Swiss Water's share price and the risk-free interest rate that are used as inputs in the Black Scholes Option Pricing Model. Refer to Note 10.2 in the unaudited condensed consolidated interim financial statements for more details.

Other gains

In June 2023, the lease on Swiss Water's legacy production facility in Burnaby, BC expired. As per the contractual terms of the lease, the property was fully restored and returned to the landlord. Of the estimated $1.5 million asset retirement obligation, the actual cost was $1.3 million. As such, during the nine-month period ended September 30, 2023, the Company recognized other gains in the amount of $0.2 million.

During the three and nine months ended September 30, 2023, we paid $0.1 million and $1.1 million respectively, which was related to the decommissioning of assets and restoration of the leased property. There were no such payments made in the comparable periods this year.

Income Before Taxes and Net Income

Net income consists of income before tax, less deferred and current income taxes. Swiss Water and our subsidiaries are subject to tax in Canada, the USA, and France. The current income tax expense arises as a reflection of increases and decreases in net income before taxes, adjusted for non-tax items. The deferred income tax arises from temporary differences between the depreciation and amortization expenses deducted for accounting purposes, and related capital cost allowances deducted for tax purposes. Timing differences on the deductibility of derivatives, accruals such as asset retirement obligations, cash liabilities of the DSU and RSU, bond value warrants, and leases. In addition, changes in corporate income tax rates as adjusted for substantively enacted higher future tax rates are included in the calculation of deferred income tax. The latter is offset by the tax benefit of tax loss carry forwards.

For the three and nine months ended September 30, 2024, we recorded a net loss before taxes of $1.1 million and $0.6 million respectively, compared to a net loss before taxes of $0.8 million and $1.9 million for the same periods in 2023.

Other Comprehensive Income

Gains or losses on our designated revenue hedges that will mature in future periods are recorded in other comprehensive income, net of income tax expense. Other comprehensive income or loss, net of tax, for the three and nine months ended September 30, 2024, was a gain of $0.5 million and a loss of $0.6 million respectively, compared to a loss of $1.1 million and $0.2 million for the same periods in 2023. Increases and decreases are related to fluctuations in the value of the Canadian dollar versus the US dollar.

Basic and Diluted Earnings per Share

Basic earnings per share are calculated by dividing net income by the basic weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing net income, adjusted for the effects of all dilutive potential common shares, by the diluted weighted average number of shares outstanding. The weighted average number of shares outstanding on a diluted basis takes the additional shares for the assumed exercise of RSUs and warrants, if dilutive, into account. The number of additional shares is calculated by assuming that outstanding warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. When the effects of a potential issuance of shares under warrants and RSUs would be anti-dilutive, basic and diluted earnings per share are the same.

The calculations of basic and diluted earnings per share are shown in the following table:

In 000s except for shares and per share data (unaudited)	3 months ended September 30 2024	2023	9 months ended September 30 2024	2023
Basic and diluted loss per share				
Net loss attributable to shareholders	$ (791)	$ (417)	$ (744)	$ (1,489)
Weighted average number of shares	9,517,552	9,212,955	9,414,890	9,204,149
	$ (0.08)	$ (0.05)	$ (0.08)	$ (0.16)

QUARTERLY INFORMATION / SEASONALITY

There is an element of seasonality in our business, in that the second half of the year tends to have higher volumes and revenues. As noted previously, the transition out of our old Burnaby production facility impacted the typical seasonality pattern in 2023.

The following table summarizes results for each of the eight most recently completed fiscal quarters. For comparative purposes, we have also provided the averages for the previous 8-quarter period:

In $000s except for per share amounts (unaudited)	8 Quarter Average	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue	41,769	41,778	43,372	38,730	41,237	32,627	43,368	49,045	43,998
Gross Profit	5,472	6,436	7,665	5,115	6,916	3,576	3,412	4,894	5,759
Operating income	2,039	2,780	3,748	1,364	3,372	758	76	1,424	2,792
Adjusted EBITDA[1]	3,234	2,161	4,484	2,788	5,008	1,539	1,825	4,982	3,087
Net income (loss)	(191)	(791)	947	(900)	961	(417)	(371)	(701)	(254)
Per Share[2]									
Net income (loss) - basic	(0.02)	(0.08)	0.10	(0.10)	0.10	(0.05)	(0.04)	(0.08)	(0.03)
Net income (loss) - diluted	(0.03)	(0.08)	0.07	(0.10)	0.10	(0.05)	(0.06)	(0.08)	(0.03)

[1] Adjusted EBITDA is defined in the 'Non-IFRS Measures' section of this MD&A and is a "Non-GAAP Financial Measure" as defined by CSA Staff Notice 52-306.
[2] Per-share calculations are based on the weighted average number of shares outstanding during the periods.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

The following is a summary of cash flows for the period:

In 000s (unaudited)	9 months ended September 30 2024	2023
Cash and cash equivalents beginning of period	$ 11,091	$ 3,761
Net cash flow provided by (used in):		
Operating activities	6,903	21,247
Investing activities	(760)	(17,532)
Financing activities	(2,251)	(762)
Net cash increase for the period	3,892	2,953
Cash and cash equivalents, end of the period	$ 14,983	$ 6,714

Operating Activities

For the three and nine months ended September 30, 2024, net cash used in operating activities was $5.5 million and net cash generated by operating activities was $6.9 million respectively, compared to net cash generated of $14.3 million and $21.2 million for the same periods in 2023. The differences between periods are due to the investment in, or the release of, working capital. This year the release of working capital occurred mainly in the first half due to the consumption of the last remaining coffee inventories we had built up to bridge the production constraints experienced during last year's transition from Burnaby and the consolidation of all processing in Delta. During the third quarter of this year, we increased our inventory position to mitigate the impact of any supply disruption. Whereas last year, the release of working capital occurred mainly in the second half when we started to consume the inventory we had built in anticipation of the production capacity constraint during our exit from Burnaby.

Investing Activities

For the three and nine months ended September 30, 2024, net cash used in investing activities was $0.2 million and $0.8 million respectively, compared to $4.6 million and $17.5 million for the same periods in 2023. During the first nine months of this year, we incurred minimal capital expenditures, while in the first nine months of last year, the cash used was primarily driven by the construction of our new second production line in Delta.

Financing Activities

For the three and nine months ended September 30, 2024, net cash from financing activities was net proceeds of $2.3 million and net repayments of $2.3 million respectively, compared to net repayments of $7.3 million and $0.8 million for the same periods in 2023. In the first half of last year, cash from financing activities was primarily driven by the construction of our second production line in Delta and the necessary investment in working capital. In Q3 of 2023, we began to make repayments to our credit facility using cash generated from operating activities, supplemented by the release of working capital. In the first half of this year, we continued to make repayments to our credit facility using cash generated from operating activities, supplemented by the release of working capital. In the third quarter, net proceeds from our credit facility were used to fund our increased inventory position.

Inventory

During the first nine months of this year, our inventory position increased by $7.6 million, or 25%, when compared to December 31, 2023. The increase reflects an elevated NY'C', as our volume of inventory remains on par with December 31, 2023. Inventory consists of coffee, hedges related to NY'C', and foreign exchange, as well as carbon used in production, and packaging.

Under hedge accounting, gains and losses on derivative instruments for coffee to be sold in future periods are recorded in inventory. The hedge accounting component of inventory as at September 30, 2024, was an increase of $3.6 million, compared to an increase of $0.8 million as at December 31, 2023.

Accounts Receivable

Our accounts receivable increased by $0.2 million or 1% compared to December 31, 2023. In total, 90% of Swiss Water's accounts receivable were current as at September 30, 2024 (December 31, 2023: 89%). The majority of past due amounts were collected shortly after the end of the quarter. Accounts receivable consist of receivables from customers.

Credit Facilities

At September 30, 2024, cash and cash equivalents were $15.0 million and working capital was $29.6 million, compared with cash, cash equivalents of $11.1 million and working capital of $27.3 million at December 31, 2023. We believe that our existing cash, cash generated from our operating activities and the availability under our two operating credit facilities (each as defined below), will provide us with sufficient liquidity to meet our working capital needs, repayments of our long-term debt and future contractual obligations. An additional potential source of liquidity is access to capital markets for additional equity or debt financing. We intend to use our cash on hand for daily operational funding requirements.

The following is a summary of available cash and credit as at September 30, 2024:

In 000s								As at September 30, 2024
(unaudited)		Maximum cash and credit		Available cash and credit		Outstanding loans principal balance[(2)]		Net available cash and credit
Credit facility with a Canadian bank [(1)]	$	45,000	$	30,942	$	27,000	$	3,942
Credit facility with EDC		6,250		6,250		250		6,000
Construction loan with BDC		28,500		28,500		28,500		-
Construction loan with FCC		28,500		28,500		28,500		-
Debenture with warrants with MRC		15,000		15,000		15,000		-
Cash and cash equivalents		14,983		14,983		n/a		14,983
	$	138,233	$	124,175	$	99,250	$	24,925

1 The Credit facility with a Canadian bank maximum credit (“ABL”) is net of a $0.5 million outstanding letter of credit and security lien bond, and $0.2 million accrued interest. The ABL borrowing “available credit” noted above is the lower of the asset base and a limit of $45.0 million.

2 The outstanding principal balance excludes accrued interest.

We have two credit facilities, one with a major Canadian bank and the other with Export Development Canada (“EDC”). These facilities are secured by general security agreements over all of Swiss Water's assets and a floating hypothecation agreement over cash balances. As at September 30, 2024, the outstanding balance on the credit facility with the Canadian bank was $27.0 million (December 31, 2023: $26.9 million). For the three and nine months ended September 30, 2024, we incurred $0.4 million and $1.3 million in interest expense respectively (2023: $0.6 million and $2.0 million). Meanwhile, $0.3 million was drawn on EDC Credit (December 31, 2023: nil).

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of September 30, 2024, Swiss Water was in compliance with all covenants.

Credit Facility with Canadian Bank

In 2019, Swiss Water entered into a revolving credit facility agreement (“Credit Facility”), with a major Canadian bank, for borrowings up to the lower of the Borrowing Base (defined below) and $30.0 million.

In 2022, our available credit was increased from $30.0 million to $45.0 million with the purpose of supporting operations and growth. In tandem, this Credit facility provided additional lending of up to $6.25 million credit facility through EDC. The maturity date of October 18, 2022, was extended to the earlier of October 19, 2025, or an event triggering default.

Swiss Water is not required to repay the Credit Facility as long as the outstanding balance is not in excess of the Borrowing Base.

The Credit Facility's Borrowing Base margins Swiss Water's eligible inventories and accounts receivable, commodity hedging account equity margin, plus our market-to-market gains, which are netted against any losses in the commodity account and foreign exchange contract facility. Amounts can be drawn in either Canadian or US dollars and can be borrowed, repaid, and re-borrowed to fund operations, capital expansions, letters of credit, a security lien bond, and for general corporate purposes.

The Credit Facility has multiple interest rate options that are based on the Canadian Prime Rate, Base Rate, Secured Overnight Financing Rate ("SOFR"), and Canadian Overnight Repo Rate Average ("CORRA"), in addition to an applicable margin/fee for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the credit. On June 6, 2024, due to a banking benchmark replacement transition, the Canadian Bank lender amended the existing credit facility agreement with Swiss Water, to replace LIBO Rate with SOFR and Bankers' Acceptance Rate plus an acceptance fee with CORRA.

As part of the Credit Facility, Swiss Water has a US$8.0 million foreign exchange and commodity futures contract facility, which allows us to enter into spot, forward and other foreign exchange rate transactions and commodity futures transactions with the bank with a maximum term of up to 60 months.

<u>Credit Facility with EDC</u>

EDC offers two services, a credit facility of up to $6.25 million and a $6.0 million foreign exchange guarantee.

In 2022, we entered into a revolving credit facility agreement with EDC (the "EDC Credit") for borrowings of up to $6.25 million. The EDC Credit is to be used for the purpose of providing additional liquidity to finance our operations, should it be needed. The lender of the abovementioned Credit Facility with a Canadian bank is the administrative agent for the EDC Credit and all security and guarantees held by the lender of the Credit Facility as security for the Credit Facility are also held as security for the EDC Credit. Amounts drawn on the EDC Credit bear interest at the Canadian Prime Rate plus 1.5% per annum. The EDC Credit is subject to certain fees. The EDC Credit facility will terminate on the earliest of: (i) demand by the lender of the Credit Facility for repayment, (ii) the second anniversary of the effective date of November 22, 2024, and (iii) the maturity date under the Credit Facility. The Bank may in its sole discretion, renew the EDC Credit for a maximum of five successive one-year periods after the first anniversary of the effective date. As at September 30, 2024, $0.3 million was drawn on EDC Credit (December 31, 2023: nil).

On June 1, 2020, Swiss Water entered into a foreign exchange facility guarantee with EDC to cover margin requirements in relation to the foreign exchange facility. On August 4, 2020, Swiss Water's Credit Facility Lender amended the credit agreement to recognize the foreign exchange facility guarantee provided by the third party. The facility guarantees a maximum aggregate liability of up to $6.0 million and it is valid until May 31, 2025. This guarantee provides additional borrowing capacity within the referenced credit facility.

Construction Loan with BDC and FCC

In 2018, we completed a transaction with the Business Development Bank of Canada ("BDC") for a term loan facility ("Term Loan") of up to $20.0 million. The purpose of the Term Loan was to assist in the financing of new equipment for the first production line we built in Delta, British Columbia. The interest rate for the Term Loan was 4.95% per annum over 12 years. Principal repayment was scheduled to begin on July 1, 2021, and matures on June 1, 2033.

In 2021, we completed a financing transaction by increasing the existing term to $45.0 million from the existing $20.0 million to provide funding for the planned construction of a second production line at our Delta location. The financing was provided by Business Development Canada ("BDC") and Farm Credit Canada ("FCC") in a Pari Passu structure. Each lender will fund 50% of the $45.0 million total loan value. The original borrowing with BDC will increase from $20.0 million to $22.5 million (“BDC Amended Term Loan”) and FCC will also fund $22.5 million (“FCC Term Loan”). Upon closing of the transaction, Swiss Water’s outstanding debt to each party, FCC and BDC, was $10 million. FCC paid $10.0 million to BDC on Swiss Water’s behalf to ensure that existing borrowings were restructured on a Pari Passu basis.

Only interest was to be paid on the outstanding balances monthly prior to July 1, 2024, for both the BDC and FCC Term Loans. Principal repayments for both loans were to commence on July 1, 2024, and be repaid in monthly installments until both loans mature on June 1, 2034. Effective June 2024, pursuant to an amendment, interest-only payments will continue until December 31, 2024. Monthly installments covering both principal and interest will begin on January 1, 2025. The loans will be repaid in monthly installments until their maturity on June 1, 2034. An early repayment of the principal remains an option, subject to certain conditions. The change in the agreement terms is treated as modification accounting under IFRS 9. There was no gain or loss recognized related to this change in the agreement terms.

The FCC Term Loan consists of a fixed term loan and a variable loan. Until maturity, the fixed term loan bears an interest rate of 4.38% and the variable loan bears an interest rate of a variable rate minus 0.75%.

The BDC Amended Term Loan bears an interest rate of 4.45% until maturity. The new terms in the BDC Amended Term Loan supersede the terms on the previous agreement.

Both loans are secured by a general security agreement and a first security interest on all existing equipment and machinery plus new equipment and machinery financed with the BDC and FCC construction loans. Seaforth has provided a guarantee for construction loans to FCC and BDC.

In 2022, Swiss Water entered into an amendment (the “Amended Senior Facility”) to the 2021 senior debt facility with our two lenders, BDC and FCC, which provided an additional $12.0 million of senior debt financing at a favourable payment, interest rate, and amortization schedule by increasing the senior debt facility from $45.0 million to $57.0 million. The incremental funds available under the Amended Senior Facility, together with our existing available credit and internally generated cash flow were sufficient to fund the completion of the second production line in Delta. Each lender funded 50% of available funds. As at September 30, 2024, the loan principal outstanding was $57.0 million (December 31, 2023: $57.0 million).

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of September 30, 2024, Swiss Water was in compliance with all covenants.

Debenture with Warrants / Convertible Debenture with Mill Road Capital

In 2021, Swiss Water amended the $15.0 million convertible debenture agreement with Mill Road to a $15.0 million debenture with warrants. Under the new terms of the agreement, the maturity date was extended by one year from October 11, 2023, to October 31, 2024 (as referenced in the Subsequent Events section of this document). The other amended terms were: (i) the interest rate increased from a maximum of 7.85% to 9%, (ii) a 1.5% additional interest “payment in kind” was added, (iii) the debt to shares conversion feature was amended, and (iv) the senior debt covenant was increased from $45.0 million to $60.0 million. The debt-to-shares conversion was amended by (a) cancelling the existing conversion feature and (b) replacing the existing conversion feature with warrants to allow Mill Road to purchase up to 2.25 million common shares at a price of $3.33 per share.

In 2022, Swiss Water amended the debenture with warrants agreement to (i) expand on the Senior Debt restricted covenant; (ii) allow Swiss Water a right to prepay the principal, and (iii) add secondary security on the debenture (iv) increase the senior debt limit to $123.25 million. The original principal of $15.0 million and the maturity date of October 31, 2024, remain the same. Also, the interest on the debenture remains unchanged, at 9% paid quarterly plus 1.5% interest in kind accrued quarterly. Meanwhile, the warrants agreement to issue 2.25 million warrants, with an exercise price of $3.33 was amended (i) to extend the maturity date from October 31, 2024, to April 30, 2026; and (ii) to add a cashless exercise option whereby Mill Road may elect to receive, upon exercise, such number of shares that is equal to the difference between the $3.33 exercise price and the fair market value of the shares at the time of exercise.

Following negotiations in 2022, Swiss Water extinguished the 2021 debenture with warrants with Mill Road. Given that amendments included a cashless exercise option where the agreement no longer limits an exchange of a fixed amount of cash for a fixed amount of common shares (subject to terms, the option allows a variable number of shares being issued), this debenture with warrants restructuring transaction was accounted for using the extinguishment method of accounting for debt reconstruction.

The option for cashless exercise of warrants embedded in the debenture with warrants was recognized as a derivative financial liability "Borrowings embedded option" on the Consolidated Statements of Financial Position. As at September 30, 2024, it is valued at $2.1 million, using the Black Scholes Option Pricing Model (December 31, 2023: $1.4 million).

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of September 30, 2024, we were in compliance with all covenants.

Contractual Obligations

The following table sets forth our contractual obligations and commitments as at September 30, 2024:

In $000s (unaudited)	Total	Less than 1 year	2-3 years	4-5 years	Over 5 years
Long-term debt[1]	$ 72,986	$ 19,916	$ 12,000	$ 12,000	$ 29,070
Financing leases[2]	8,523	2,558	4,880	1,085	-
Credit facilities[3]	27,250	-	27,250	-	-
Purchase obligations[4]	85,711	85,027	684	-	-
Total contractual obligations	$ 194,470	$ 107,501	$ 44,814	$ 13,085	$ 29,070

1 Long-term debt represents the principal amounts of the debenture with warrants and construction loans.
2 Minimum obligations for our finance leases.
3 Credit facilities include a credit with a Canadian bank and a credit with EDC. Both mature in 2025, where the maturity date can be extended subject to lenders' approval.
4 Purchase obligations represent outstanding capital, and coffee and purchase commitments.

Swiss Water leases the following offices, warehouses, and equipment:

On August 26, 2016, we signed a lease agreement for a build-to-suit production facility in Delta. From the lease commencement date, the lease has an initial term of five years and can be renewed at our option in five-year increments up to a total of 30 years. The lease commencement date was in July 2018. Under the lease, Swiss Water has multiple options to buy out the lease starting at the end of the second five-year term. The buy-out value will be equal to the fair market value of the property as determined by an appraisal process, subject to specified maximum and minimum values. During 2022, we exercised the first option to renew Swiss Water's lease in Delta for another five years until July 2028.

Seaforth leases a warehouse in Delta and the lease expires in June 2027. We have two options to renew the lease for an additional term of five years each.

Swiss Water leases a sales office in France which expires in October 2027.

Seaforth leases a truck. The lease expires in February 2028.

Swiss Water leases various office equipment with expiring dates of October 2024 and January 2025.

Share Capital

Swiss Water is authorized to issue an unlimited number of common shares. Each share is equally eligible to receive dividends when declared and represents one vote at meetings of shareholders. As at September 30, 2024, there were 9,517,552 common shares issued and outstanding (December 31, 2023: 9,212,955). During the first nine months of 2024 our RSUs vested and the increase in common shares reflects the RSU's conversion to common shares.

On May 9, 2022, at the Annual and Special Meeting of Shareholders, the Shareholders approved the amendment to the Articles of Amalgamation of the Company to create two new classes of shares, Class A Preferred Shares and Class B Preferred Shares. As at September 30, 2024, there were no preferred shares issued and outstanding (December 31, 2023: nil).

OFF-BALANCE SHEET ARRANGEMENTS

Swiss Water has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

We provide toll decaffeination services and/or sell finished goods to, and purchase raw material inventory from, a company that is related to Roland Veit, one of Swiss Water's Directors.

The following table summarizes related party sales and purchases during the periods:

In $000s	3 months ended September 30		9 months ended September 30	
(unaudited)	2024	2023	2024	2023
Sales	$ 28	$ 287	$ 445	$ 738
Purchases of raw materials	$ 2,460	$ 1,363	$ 7,581	$ 4,698

All transactions were in the normal course of business and were measured at the fair value of the consideration received or receivable, which was as established and agreed with related parties. As at September 30, 2024, our accounts receivable balance with this company was nil while our accounts payable balance with this company was $1.0 million (December 31, 2023: nil and $1.1 million respectively).

Mill Road is a shareholder of Swiss Water and, under the terms of the debenture with warrants agreement, Mill Road added a nominee to Swiss Water's board of directors. Also, as a holder of the debenture with warrants, Mill Road has the right to a cashless exercise of warrants to obtain an additional 2.25 million shares of Swiss Water. As such, Mill Road is considered a related party. For more details on the amended debt agreement with Mill Road, refer to Note 13.2 in the audited consolidated financial statements for the year ended December 31, 2023.

RISKS AND UNCERTAINTIES

Cash from operations may fluctuate with the performance of our business, which can be susceptible to a number of risks. These risks may include, but are not limited to, foreign exchange fluctuations, labour relations, coffee prices (notwithstanding hedging programs, as exact hedging correlation is not attainable), the availability of coffee, competition from existing chemical and other natural or chemical free coffee decaffeinators, competition from new entrants with alternate processing methods or agricultural technologies, regulatory risks, terms of credit agreements, customer concentration, commodity futures losses, ability to maintain organic certification, adequacy of insurance, risks related to information technology and cyber crime, dependence on key personnel, product liability, uncollectable debts, liquidity risk, timing and costs of capital projects, Swiss Water's ability to raise funds through either debt or equity, availability of labour force, equipment and supplies, global environmental change and climate effects on our products and supply chain, geopolitical risks, inflation, changes in interest rates, global pandemics, and general economic downturns. These risks and how Swiss Water manages them are described in the AIF. The future effects of these risks and uncertainties cannot be quantified or predicted.

Following the emergence of conflict in Ukraine in late February 2022, many countries enacted sanctions against Russia. The supply of some commodities from Russia, such as natural gas, has been interrupted. Potential consequences of these sanctions and commodity interruptions that could impact our business are not limited to: 1) demand for our products 2) delays in transportation to customers within Europe, 3) increase of costs in fertilizers or supply components, thus increasing the costs of our coffee inventory, 4) decaffeinating coffee in Europe may become more expensive if traditional fuel sources are curtailed. Some North American customers, currently sourcing from European suppliers, may consider switching to Swiss Water as it can be sourced closer to their market, and 5) overall supply chain interruptions. At this time there is uncertainty over the full impact of the conflict in Europe. Accordingly, we cannot provide assurance that this conflict will not affect our business and further expansions into the European market.

Swiss Water’s operations may be negatively impacted in the event of a local or global outbreak of disease. A pandemic may impact demand for our products and services, and the capability of our supply chains. It may also impact expected credit losses on our amounts due from customers and whether the entity continues to meet the criteria for hedge accounting. For example, if a hedged forecast transaction is no longer highly probable to occur, hedge accounting would be discontinued.

Risks are also discussed in detail in the ‘Financial Risk Management’ note in our audited consolidated financial statements. Furthermore, in this management discussion and analysis, we discuss risk under the headings ‘Hedge Accounting’ and ‘Financial Instruments’.

ENVIRONMENTAL RISKS

The Canadian Securities Administrators (“CSA”) identifies five categories of risks: litigation, physical, regulatory, reputational and business model, for which issuers are asked to identify material risks and if they are reasonably likely to affect financial statements in the future.

Environmental matters relate to a broad range of issues, including those related to air, water, waste and land. As a small company with limited human and financial resources, we focus on only those risks that we believe could have a materially adverse impact on our operations and/or financial results within our planning horizon, rather than seeking to identify all possible future risks. Risk assessment involves judgment, uncertainty and estimates, which can provide only reasonable, rather than an absolute, assurance that all the applicable risks and their expected impacts on Swiss Water are considered.

The most pervasive environmental risks that we face relate to the fact that we buy, sell and store an agricultural commodity. The supply of green coffee can be impacted by numerous environmental conditions such as frosts, drought, plant disease and insect damage, which can impact the quality and size of the coffee crop. In addition, certain environmental conditions, such as excessive rains, can hamper crop harvesting. A shortage of coffee can impact our processing volumes and revenues. We seek to mitigate the risks of coffee shortages by maintaining an extensive list of coffee suppliers; by dealing with importers who themselves have multiple suppliers rather than contracting directly with farmers or coffee co-operative organizations; by maintaining up to three months of coffee inventories at any time; by developing and modifying coffee blends that take into consideration coffee availability and cost from various coffee origins; and, by entering into purchase contracts with suppliers for future delivery of coffee (rather than relying on ‘spot’ deliveries). In addition, the coffee commodity price is closely tied to available supplies of coffee globally. We mitigate the commodity price risk through our commodity price risk management policy.

Our leased facilities are located in the Metro Vancouver area of British Columbia. Vancouver is considered to be at high risk of a major earthquake and flooding. Any significant earthquake in the vicinity could have a material impact on our operations for a period of time. This would depend on the extent of the damage to our facilities and equipment, and the transportation infrastructure in the region. In short, a major earthquake could have a material adverse impact on our revenues. We carry property and business interruption insurance, including earthquake coverage, which would help offset the cash flow impact of such an event. In addition, we keep some finished goods inventory in third-party coffee warehouses in other regions, and we would be able to sell these finished goods even if our production and distribution of coffee were temporarily interrupted. Nevertheless, the financial and operational impact of a major earthquake cannot be reasonably predicted.

We are subject to a number of environmental laws and regulations related to our facilities in British Columbia. These mandate among other things, the maintenance of air and water quality. We routinely monitor our compliance with these standards. Based on our compliance record and our maintenance programs, as well as currently enacted laws and regulations, we do not believe that these regulatory risks are material. In addition, there are risks associated with global regulatory changes and their related impact on demand and competition, which we routinely monitor for compliance.

We expect to incur increased costs for energy and water consumption over time. If we cannot pass on such increased costs to our customers, our profitability may be adversely impacted.

We believe that all known environmental obligations and provisions have been appropriately reflected in our financial statements. We have not identified any material litigation, reputational, or business model risks related to environmental matters. Nevertheless, we may be subject to potential unknown or unforeseeable environmental impacts arising from, or related to, our business. Costs associated with such issues could be material.

We believe that the trend toward increased environmental awareness and social consciousness creates an opportunity for us to grow our business, as consumers and coffee industry participants place greater emphasis on reducing their impact on the environment and on living healthier lifestyles. As one of the few chemical free decaffeinators in the world, we believe that an increased focus on environmental matters and health will allow us to win more business from decaffeinators that use chemicals such as methylene chloride to decaffeinate coffee.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Measurement of Uncertainty

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for useful lives of depreciable assets, provision for asset retirement obligations, share-based compensation, debenture with warrants with embedded derivatives, lease liabilities and right-of-use assets, and income taxes. Actual results may be different from these estimates.

An accounting estimate is deemed critical only if it requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates that we could have used in the current period would have a material impact on our financial condition or the results of operations.

Useful Lives of Depreciable Assets – Change in Accounting Estimates

Effective January 1, 2023, Swiss Water reduced the estimated useful life of the non-salvaged assets located at our legacy production facility in Burnaby, by 12 years. The useful life of these assets was re-aligned against the final production date at the site, which was in April 2023. At the time of the change in estimate, these assets had a carrying value of approximately $3.0 million. The financial impact of the change in estimate was an incremental depreciation expense of $0.4 million and $2.5 million for the three and six months ended June 30, 2023 respectively. There was no such change in estimate during the three and nine months ended September 30, 2024, as we had fully exited the Burnaby location in June 2023.

Provision for Asset Retirement Obligation

Analysis and estimates are performed by Swiss Water to determine the amount of restoration costs to be recognized as a provision in our consolidated financial statements. The estimates consider the contract language in our leases, the expected useful lives of our equipment, inflation rates, discount rates, and the expected costs that would be paid to a third party to remove property and equipment.

The amount that we recognized as a provision in the asset retirement obligation is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. This takes the risks and uncertainties surrounding the obligation into account. When the final determination of such obligation amounts differs from the recognized provisions, Swiss Water's financial statements will be impacted.

The present value of future cash flows for asset retirement obligation with respect to our leased decaffeination facility in Delta is estimated at $3.6 million. This estimate assumes that we restore the current location upon the expiry of the lease for the two lines in Delta, BC at an estimated undiscounted cash flow of $5.7 million. Further, the estimate reflects the expected costs of vacating the leased facility in 2038 having regard for the contract language in the lease, the expected useful lives of our plant and equipment, and the expected costs that would be paid to a third party to remove the equipment. The calculation of the ARO does not take the fact that we have the option to purchase our leased facility and underlying land into account.

Income Taxes

We compute income taxes using the liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting bases and the tax bases of our assets and liabilities. Deferred tax assets and liabilities are measured using the enacted and substantively enacted income tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets also reflect estimates of the recoverability of non-capital loss carry forwards. We have recognized the benefit of loss carry forwards to the extent that it is probable that taxable income will be available in the future against which our non-capital loss carry forwards can be utilized. As at December 31, 2023, Swiss Water and our subsidiaries had combined a non-capital tax loss carry forward totaling $69.8 million. This can be used to reduce income taxes payable in future years.

The financial reporting bases of our assets reflect the useful lives of depreciable assets, as well as the carrying amounts of assets with indefinite useful lives. Accordingly, management estimates that impact the carrying amounts of depreciable and non-depreciable assets also have an impact on deferred income tax assets and liabilities.

Leases and Right-of-Use Assets

The preparation of consolidated financial statements requires that Swiss Water's management make assumptions and estimates on our finance leases. Certain estimates and assumptions need to be made and applied, which include but are not limited to, the determination of the expected lease term and minimum lease payments, the assessment of the likelihood of exercising options, and the estimation of the fair value of the leased properties at lease inception.

Debenture with Warrants with Embedded Option

In 2022, the amended debenture with warrants contains an embedded cashless option feature. This embedded option is a financial liability and was recognized initially at $1.9 million effective on November 22, 2022, and is subsequently revalued at each reporting date. As at September 30, 2024, Swiss Water recognized the fair value of the embedded option in the debenture with warrants in the amount of $2.0 million (2023: $1.4 million). For the three and nine months ended September 30, 2024, Swiss Water recorded a gain of $0.1 million and a loss of $0.7 million respectively (2023: gain of $0.3 million and a gain of $0.2 million).

At initial recognition, in the calculation of the fair value of the liability portion of the Debenture with warrants, we estimated the interest rate on a similar instrument of comparable credit status providing for substantially the same cash flows, on the same terms, but without the warrants exercise option. We estimate the fair values of the borrowings embedded option liability related to the debenture with warrants at initial recognition and at the end of each reporting period using the Black-Scholes Option Pricing Model which requires management estimates. Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

The fair value of the embedded option in the debenture with warrants was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on our best estimate, as discussed in our audited consolidated financial statements.

		September 30, 2024		December 31, 2023
Share price	$	3.65	$	2.78
Exercise price	$	3.33	$	3.33
Option life		1.58 years		2.33 years
Volatility		37%		42%
Risk-free interest rate		2.94%		3.91%
Dividend yield		0.00%		0.00%

CHANGES IN ACCOUNTING STANDARDS

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2024. The adoption of these revised standards by Swiss Water did not have a material impact on our consolidated financial statements.

- IAS 7 *Statement of Cash Flows* and IFRS *7 Financial instruments disclosures* contain amendments that require disclosures of the effects of supplier finance arrangements on an entity's liabilities and cash flows, as well as liquidity risk and risk management.

- IFRS 16 *Leases* has amended guidance over accounting for lease liability in a sale and leaseback transaction.
- IAS 1 *Presentation of financial statement*s was amended to clarify the classification of non-current liabilities with covenants, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period.

The following standards are effective for periods beginning after January 1, 2025, and Swiss Water does not anticipate a material impact on our financial statements:

- IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures* relate to the sale or contribution of assets between an investor and its associate or joint venture, and the amendments clarify the accounting for a subsidiary when a parent company loses control of the subsidiary. IAS 28 amended equity method procedures. The amendments' effective date is not yet determined. Early adoption is permitted.
- IAS 21 *The effects of changes in foreign exchange rates* was amended to specify how to determine whether a currency is exchangeable into another currency and how to determine the spot exchange rate when a currency lacks exchangeability.

HEDGE ACCOUNTING

There are risks related to unpredictability over coffee commodity prices and foreign exchange rates. To minimize these risks, we follow our risk management program, which is carried out under two policies approved by the Board of Directors: The Foreign Exchange Risk Management Policy and the Commodity Price Risk Management Policy. With the use of derivative financial instruments, we hedge potential adverse effects on our financial performance and cash flows. Under the risk management program, we enter into three types of hedges and each type is discussed below:

1) Commodity price risk hedges on coffee purchase commitments and coffee inventory ("commodity hedges");
2) Currency risk hedges related to US$ denominated future process revenues ("revenue hedges");
3) Currency risk hedges related to US$ denominated purchases of green coffee ("purchase hedges").

Commodity Hedges

When we enter into a purchase commitment to buy green coffee, the contract specifies that the purchase price will be based, in part, on the future (to-be-determined) coffee futures price, or NY'C'. We agree on or 'fix' the NY'C' price with the vendor on or before receiving the coffee into inventory. When we bear the economic risk of a change in the commodity price, we offset this risk by selling short a futures contract on the Intercontinental Exchange. When we later sell such coffee at a fixed price to a customer, we cover our short by going long on a futures contract on the Intercontinental Exchange.

At each period-end, commodity hedges are re-measured to their fair value. Under hedge accounting, gains/losses for hedged coffee purchase commitments and inventory are recorded in the statement of financial position until such coffee is sold at which time the gains/losses on our commodity hedges are recognized in cost of sales. In this way, gains/losses on our commodity hedges are matched to our sales in the period.

Revenue Hedges

We enter into forward contracts to sell US$ at future dates to hedge the foreign exchange cash flow variability of expected US$ processing fee revenue up to 60 months in advance. The hedged process revenue includes both process revenue from tolling arrangements (processing of customer-owned coffee), as well as the US$ processing fee layer of inventory sales agreements. This enables us to more reliably predict how much Canadian currency we will receive for our US$ process revenue. Cash flows in the immediate 12-month period are hedged at a higher percentage of expected future revenues than those farther out, reflecting greater uncertainty in the 13 to 60-month period.

At each period end, revenue hedges are re-measured to their fair value. Under hedge accounting, unrealized gains/losses for open revenue hedges are recorded in other comprehensive income. When a revenue hedge matures, the realized gain/loss on that contract is reclassified from accumulated other comprehensive income to process revenue.

Purchase Hedges

We enter into forward contracts to buy US$ for green coffee inventory which, once decaffeinated, will be sold at a fixed C$ price pursuant to a customer-specific contract. Similarly, on occasion, we enter into forward contracts to buy US$ to be used to pay for purchases of equipment. To mitigate the exposure to margin changes on these transactions arising from fluctuations in the US$/C$ exchange rate, we enter into US$ forward purchase contracts which economically lock in the US$/C$ exchange rate, and effectively lock in the C$ cost of inventory to be sold at the fixed C$ amount.

The hedge accounting allows for matching of US$ purchases with the associated gains/losses on the forward contracts used to economically hedge these items. At each period-end, customer-specific hedges are re-measured to their fair value.

Under hedge accounting, the gains/losses on these hedges are deferred on the statement of financial position until the inventory is sold, at which time the gains/losses are recorded in cost of sales on the income statement. Similarly, hedges related to property plant and equipment are re-measured at each period end and once the hedges mature the gains and losses on these hedges are recorded in property plant and equipment.

FINANCIAL INSTRUMENTS

We use financial instruments to mitigate economic risks associated with our business. The three types of hedges we enter into, and the hedging instruments used, are discussed in more detail under 'Hedge Accounting' above.

We classify our financial assets and financial liabilities in the following measurement categories (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and (ii) those to be measured at amortized cost. We have implemented the following classifications for financial instruments other than derivatives:

- Cash and cash equivalents and short-term investments are classified as assets at fair value and any period change in fair value is recorded through interest income in the consolidated statement of income, as applicable.
- Accounts receivable and other receivables are classified as assets at amortized cost using the effective interest rate method. Interest income is recorded in the consolidated statement of income, as applicable.

- Accounts payable, credit facilities, the debt portion of the debenture with warrants, and other liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in the consolidated statement of income, as applicable.

Commodity Price Risk

Commodity price risk is the risk that the fair value of inventory will fluctuate due to changes in commodity prices. We utilize futures contracts to manage our commodity price exposure. We buy and sell futures contracts for coffee on the Intercontinental Exchange in order to offset our inventory position and to fix the input cost of green coffee.

As at September 30, 2024, Swiss Water had futures contracts to buy 13.8 million pounds of green coffee with a notional value of US$37.1 million, and contracts to sell 23.2 million pounds of green coffee with a notional value of US$62.3 million. The furthest contract matures in March 2026 (December 31, 2023: buy 9.3 million pounds of green coffee with a notional value of US$17.1 million, and contracts to sell 13.8 million pounds of green coffee with a notional value of US$25.5 million). An estimated 1% decrease in the mark-to-market rate applied to coffee futures would have resulted in an estimated loss of $0.1 million to the net loss, and vice versa (December 2023: $0.1 million gain to net income).

Foreign Currency Risk

We realize a significant portion of our sales in US$ and we purchase green coffee in US$ which is, in some cases, sold to customers in Canadian dollars. We enter into forward foreign currency contracts to manage our exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on our business decisions. These contracts relate to our future net cash flows in US$ from sales. In addition, we enter into forward contracts to buy US$ for coffee that we resell in Canadian dollars.

As at September 30, 2024, Swiss Water had forward currency contracts to buy US$11.4 million and sell US$44.9 million (December 31, 2023: buy US$9.9 million and sell US$51.3 million) from October 2024 through to August 2027 at various Canadian exchange rates ranging from $1.30 to $1.36. An estimated Canadian 1 cent decrease in the value of the US dollar would have resulted in an estimated gain of $0.3 million to the net loss and other comprehensive loss, and vice versa (December 2023: $0.3 million gain to the net loss and other comprehensive loss).

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Swiss Water are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision and with the participation of management, we conducted an evaluation of the design and effectiveness of our ICFR as of September 30, 2024, based on the updated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013"). Based on this assessment, the CEO and CFO concluded that, as of September 30, 2024, Swiss Water's ICFR was effective.

The CEO and CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation. Our disclosure controls include controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to Swiss Water's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The CEO and CFO evaluated or caused to be evaluated under supervision, the effectiveness of our disclosure controls and procedures, and based on this evaluation, the CEO and CFO concluded that, as of September 30, 2024, Swiss Water's disclosure controls and procedures were effective. There were no changes in our ICFR that occurred during the period beginning on January 1, 2024, and ended on September 30, 2024, that have materially affected or are reasonably likely to materially affect, Swiss Water's ICFR.

SUBSEQUENT EVENT

On October 31, 2024, Swiss Water repaid the cash liability portion of the debenture with warrants, which was due to MRC. The total repayment of $15.9 million consisted of $15.0 million of principal and $0.9 million of accrued interest. In consideration of the payment, all obligations, duties and responsibilities of the parties to the debenture were terminated. This included the removal of all registrations over personal property and proceeds under the secondary general security agreement.

The maturity of the debenture does not affect the obligations of Swiss Water or the rights of MRC under the warrant agreement. Warrants attached to the debenture continue to vest as per terms of agreement discussed in 'Note 10.2 Debenture with warrants with MRC' and in 'Note 13.3 Warrants' of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2024.