SWISS WATER DECAFFEINATED COFFEE INC.

2024 ANNUAL REPORT

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis
For the year ended December 31, 2024

CONTENTS

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1. INTRODUCTION

Basis of Presentation

This Management's Discussion and Analysis ("MD&A") of Swiss Water Decaffeinated Coffee Inc. ("Swiss Water" or the "Company"), dated as of March 12, 2025, provides a review of the financial results for the quarter and year ended December 31, 2024, relative to the comparable periods of 2023. The quarter period represents the fourth quarter ("Q4") of our *2024 fiscal year. This MD&A should be read in conjunction with Swiss Water's audited consolidated financial statements for the year ended December 31, 2024, 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.

2. OVERVIEW

Company Overview

Swiss Water 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 Delta facility was completed in 2020. The facility houses two newly constructed, state-of-the-art Swiss Water® production lines. The first production line was completed in 2020, and the second production line was completed during the third quarter of 2023.

We provide decaffeinated coffee to our customers through two arrangements:

- "Regular" or "Non-Toll Processing" – where we purchase green premium-grade Arabica and Robusta coffees coffee, decaffeinate the coffee using our Swiss Water decaffeination process and sell the decaffeinated coffee to our customers. Revenue from the sale of the decaffeinated coffee includes "Green revenue", which is a recovery of the cost of the green coffee we purchase for decaffeination and "Process revenue", which represents the amount of value created by decaffeinating the coffee. The value of the coffee processed forms part of our inventory, our revenue and our cost of sales.
- "Toll processing" – where we decaffeinate coffee owned by our customers for a processing fee under toll arrangements. Revenue from this business line is recognized under "Process revenue". The value of the coffee processed under toll arrangements does not form part of our inventory, our revenue, or our cost of sales.

Additionally, 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 our 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.

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.

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.

Industry Overview

The global coffee industry is experiencing a significant transformation, driven by evolving consumer preferences and an increasing focus on health-conscious beverage options. The decaffeinated coffee segment, valued at $2.4 billion USD in 2023[1], is projected to grow at a CAGR of 1% through 2028[2]. The decaffeinated specialty sub-segment in which Swiss Water competes is projected to grow at 2.5%. This reflects an increasing demand for products that balance enjoyment with wellness. This trend is especially evident in key markets where traditional coffee consumption patterns with emerging health and environmental priorities are creating significant opportunities within the chemical-free decaffeination segment.

The United States, the world's largest coffee consuming nation, remains a key market for Swiss Water, with a 63% daily consumption rate among the population, surpassing all other beverages according to the National Coffee Association's (NCA) 2023 US Coffee Data Trends Report. Specialty coffees, particularly premium Arabica varieties used in beverages such as espressos, cappuccinos, and lattes, have captured a significant share, with 41% of the population consuming specialty coffee products daily.

Decaffeinated coffee is experiencing notable growth, especially among younger consumers who are fueling trends in specialty coffee and beverages that support physical and mental well being. Recent data indicates that 7% of coffee drinkers consumed decaffeinated coffee in the prior day, with 11% having consumed it within the past week[3].

The decaffeination process landscape is experiencing significant evolution, with increasing scrutiny of chemical-based methods. Currently, more than 60% of worldwide decaffeination capacity relies on chemical methods, primarily methylene chloride and ethyl acetate processing. However, regulatory and consumer pressures are driving a shift toward chemical-free processes. Japan and South Korea have already prohibited methylene chloride use in decaffeination, while Canada requires explicit labeling of its use.

Swiss Water's 100% chemical-free decaffeination process positions the company advantageously within this landscape. As one of only three global providers offering 100% chemical-free water processes for coffee decaffeination, Swiss Water meets growing consumer demand for products that are sustainable, organic, and caffeine-conscious. With heightened awareness of chemical-related health and environmental concerns, the market for chemical-free decaffeination is poised for continued growth.

[1] Euromonitor International, Passport, Health & Wellness Hot Drinks in the US, August 2024.
[2] Studylogic U.S. Coffee Consumption Panel Data, 2018-2024.
[3] The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

Capacity to Deliver Results

The following resources allow us to deliver on our business strategy:

- Chemical Free Production Lines – We have two production lines that produce chemical free decaffeinated coffee. Both lines are located in Delta, BC. The first line (Line 1) was commissioned in Q3 2020, and the second line (Line 2) was completed and started to produce coffee in Q3 2023. Our production assets provide opportunities to easily flex production capacity rates against fluctuations in demand. This flexibility allows us to optimize variable costs as demand for our services changes. Both lines are in our facility located in Delta, BC where we have a long term lease with an attractive buy-out option available.
- Production Capacity – Our production assets are able to satisfy current demand and provide enough unused capacity to support our medium term growth ambitions with modest capital investment. Management believes that as capacity utilization rates increase, income margin contributions will also increase and improve our profitability.
- Branding – Our Consumer Branding as the Premium, 100% Chemical Free Method of Decaffeinating Green Coffee has proven to be a success. We've effectively positioned our brand as a leading, chemical-free processor of green decaffeinated coffee. The awareness among consumers and participants in the coffee trade regarding the value of the chemical-free Swiss Water® Process has been steadily growing, reinforced by its exceptional quality and taste. We are confident in the significant potential to further broaden consumer awareness, emphasizing the inherent benefits of the Swiss Water® Process.
- Established Customer Base – The Swiss Water® Process has an established customer base across North America and in many international markets. Our customers include some of North America's largest roasters, roaster-retailers leading coffee brands, and many leading international entities.
- The Growing Specialty Coffee Market & Organic Coffee market – The Swiss Water® Process produces decaffeinated green coffee that is targeted at the specialty coffee market. The significant growth in specialty coffee and specialty organic coffee over the past 20 years has created a customer base for higher quality and differentiated products that can be priced at a premium. Specialty decaffeinated coffee continues to grow at a higher rate than total coffee and total specialty coffee. To management's knowledge, only four other third party processors globally have Organic certification.
- Broad Distribution Channels – Green coffee decaffeinated using the Swiss Water® Process is sold through the coffee market's key distribution channels: roaster retailers, commercial roasters and coffee importers. This diversity ensures that we access all key segments of the specialty coffee trade and consumer coffee markets. This includes access to our USA and Canadian customers as well as access to our growing international markets including Europe, Asia and the Middle East.
- Increasing Available Internally Generated Funds – Between 2015 and 2023 we funded the construction of our two production lines in Delta with raised capital and internally generated funds. With relatively low maintenance capital requirements going forward, we expect future internally generated funds to be available to fund debt reduction as well as substantially fund capital investments required to increase our Delta facility's capacity.
- Management Expertise – Swiss Water is highly regarded in the coffee industry for our senior management team's substantial experience, our close attention to consumer trends in the specialty coffee market, and our in-depth knowledge of green and roasted coffee. In particular, our intense focus on premium product quality and commitment to science-driven insight is well recognized. To maximize

these strengths, we have invested significant resources in enhancing our team's industry-related skills and talents over the past few years. Going forward, we intend to leverage our exceptional experience with, and knowledge of, the specialty coffee industry to continue to build our business.

Key Performance Drivers

The following key performance drivers are critical to the successful implementation of our strategy and ability to improve profitability and cash from operations:

Internal Factors

- Processing Volumes – Our decaffeination facility generates a certain level of fixed operating costs that are incurred regardless of the volume of coffee processed. Accordingly, our profitability and cash from operations will increase as processing volumes increase. Processing volume is a key performance indicator ("KPI") that we monitor continuously.
- Process Consistency – We manage our operations in order to reduce variability in production and drive continuous improvement. Production consistency results in improved product quality. We have developed a number of KPIs designed to monitor process consistency and have set targets for continuous process improvement.
- Product Quality – Quality control is a key part of our operations. We operate under the Food Safety Systems Certification (FSSC) 22000, which manages our food safety, as well as HACCP (Hazard Analysis Critical Control Points) and quality assurance programs. All green coffees delivered to our processing facility are weighed and inspected and are subject to rigorous internal quality-control evaluations. Each lot of green coffee processed is monitored throughout the decaffeination process, and a certificate of analysis is prepared for each lot. A sample from each production lot is also roasted, brewed and cupped to ensure quality. In addition, our focus on reducing the size of production lots and increasing inventory turnover results in fresher coffee being provided to our customers. Production batch size and inventory turnover are two other KPIs that we monitor regularly.
- Order Fulfillment – Our integrated supply chain management strategy includes maintaining inventories of finished goods at various coffee warehouses throughout North America, and of raw goods for improved inventory replenishment times. Our order fulfillment rates are monitored regularly. An improved order fulfillment rate contributes to our volume growth and improved customer service levels.
- Employee Safety – We are focused on operating our business in a safe manner and reducing the likelihood that employees will be injured at work. We track employee safety metrics by department, and our safety committee proactively seeks ways to reduce the risks inherent in our operating environment. While we cannot completely eliminate the risk of workplace incidents or accidents, we have significantly reduced the number of safety-related incidents over the past few years. We believe that ensuring employee safety leads to improved employee retention and morale, increased efficiency and lower operating costs.
- Sustainability and Environmental Responsibility – The Swiss Water® Process is a 100% chemical free decaffeination process that enables us to consistently deliver high-quality coffee. Our approach to sustainability is to continually improve and innovate this process to be more efficient by actively managing resource usage in a safe and environmentally responsible manner. In addition to carefully

managing our operations, we take steps to ensure a sustainable coffee supply by purchasing sustainably certified coffees and organic coffees. We promote social sustainability by participating in programs within the coffee industry that advance the health of women and their families living in coffee-growing communities (Grounds for Health) and that foster research-based approaches to advancing coffee cultivation (World Coffee Research).

External Factors

We buy and sell coffees based on the NY'C' plus the quality differentials for specified coffees, both of which rise and fall in response to changes in supply and demand. We manage our exposure to changes in the NY'C' futures price on the value of our inventories through a commodity hedging program (discussed under 'Hedge Accounting' below) but cannot hedge our exposure to changes in quality differentials. In addition to the price risks associated with holding coffee inventories, our revenue and cost of sales are affected by changes in the underlying commodity price. Commodity price increases (decreases) raise (lower) the green coffee cost recovery revenue generated through our non-toll business, as well as the costs of green coffee sold to customers to generate sales.

Changes in the NY'C' also affect our statement of financial position and the amount of working capital we use in our business. When coffee prices rise (fall), our inventory values gradually increase (decrease) as we replace coffee at higher prices. Our accounts receivable and our accounts payable also rise and fall with the NY'C'. Finally, there is no open market to hedge the quality differential component of our green coffee cost.

We sell coffee at or near replacement quality differentials, and as such, in a period of falling (rising) differentials, we will generate differential cost recovery losses (gains), as green coffee revenues will be less than (exceed) green coffee costs.

In Q4 2024, the NY'C' averaged US$2.83/lb, compared to an average of US$1.74/lb in Q4 2023, an increase of 63%. Year-to-date, the NY'C' averaged US$2.35/lb, compared to an average of US$1.72/lb in 2023, an increase of 37%. 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.

In Q4 2024, the US$ averaged C$1.40, compared to an average of C$1.36 in Q4 2023. Year-to-date, the US$ averaged C$1.37, 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.

Outlook

Operational Foundation

Swiss Water is well-positioned for the future, following the successful consolidation of production onto a single site in Delta, BC. This transition has strengthened our operational efficiency, reduced capacity constraints, and enhanced our ability to meet the growing demand for our premium decaffeinated coffee offerings.

Our two modern production lines provide opportunities to further optimize our processes, improve quality, and drive efficiencies. Having operated Line 1 extensively, we are applying those learnings to Line 2, leveraging our larger processing capacity for longer production runs and further enhancing quality. With these operational improvements, we are confident in our ability to support growth without near-term capacity constraints, with targeted investments extending our ability to meet anticipated demand over the medium term.

Market Dynamics & Competitive Position

The global coffee market remains highly volatile, with continued inversion in both the NY'C' (Arabica) and London Robusta futures markets, persistent logistical disruptions and foreign exchange volatility impacting market conditions. Despite this environment, we delivered solid performance with growth in our processing volumes, demonstrating the strength of our brand and demand for our premium decaffeination process. Notably, our growth has outpaced the overall decaf market, 5% compared to 1-2%, for 25 years, reinforcing our competitive positioning in the specialty coffee segment and ability to navigate volatile conditions.

While some roasters have adjusted their purchasing strategies in response to price volatility, the underlying demand for chemical-free decaffeination continues to rise, driven by both consumer preferences and evolving regulatory considerations. As awareness for chemical-free decaffeination grows, we expect this trend to further support demand for our proprietary decaffeination process.

Financial Position & Strengthened Balance Sheet

In Q4 2024, Swiss Water repaid in full the $15.9 million (principal and accrued interest) Debenture held by Mill Road Capital LLC (“Mill Road”). This repayment reduces our overall debt burden, lowers future interest expenses, and enhances financial flexibility. The warrant agreement held by Mill Road remains outstanding until its maturity date on April 30, 2026.

As of December 31, 2024, we maintain a strong financial position, with sufficient internally generated funds, cash reserves and access to incremental borrowing capacity to support future growth initiatives. This strengthened balance sheet positions us well to navigate market volatility while investing in long-term strategic priorities. We will continue to focus on reducing debt on the balance sheet in the coming years to improve overall returns to shareholders.

Strategic Priorities & Growth Outlook

While macroeconomic conditions remain uncertain, we are confident in our ability to navigate market fluctuations and drive sustainable growth. Swiss Water's operational efficiencies, strong customer relationships, and premium market position provide a solid foundation for continued success.

We remain focused on delivering volume growth and improved profitability in 2025, supported by:

- Expanding awareness of chemical-free decaffeination as consumers prioritize clean-label, naturally processed coffee.
- Optimizing production efficiencies to maximize throughput and margin performance.
- Strengthening our supply chain and sourcing strategies to mitigate volatility while ensuring quality and reliability.

In early 2025 the US administration signalled its intent to impose a 25% tariff on all Canadian imports into the United States, effective March 4, 2025. The initial roll-out of the tariffs was deferred until April 2, 2025. However, the threat remains real, and presents a material risk to the Canadian Economy, and in particular Canadian manufacturers.

Swiss Water's decaffeination process has been formally classified by US customs as "non-transformational" and therefore our exports retain the designation of the origin country of the coffee beans that we process. As a result, we are currently testing US shipments under this export ruling and remain hopeful that tariffs will not be applied to all non-Mexican coffee shipped to the United States.

Conclusion

Swiss Water enters 2025 with significant operational advantages and improved financial flexibility following the successful Delta facility consolidation and Mill Road debt repayment. Despite persistent inflationary pressures and broader economic uncertainty, our proven ability to outpace market growth demonstrates the resilience of our business model and the increasing consumer preference for our differentiated offerings. As we leverage our strengthened platform to pursue targeted growth opportunities, we remain committed to sustainable practices and delivering long-term value to our shareholders, customers, and partners.

3. FINANCIAL PERFORMANCE

Results of Operations

The following selected information, other than Adjusted EBITDA, was derived from the audited consolidated financial statements for the year ended December 31, 2024, prepared in accordance with International Financial Reporting Standards IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). For the definition of Adjusted EBITDA, refer to the Non-IFRS Measures section of this MD&A.

The results of operations are as follows:

In C$ '000s	3 months ended December 31				12 months ended December 31			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Revenue	49,249	41,237	8,012	19%	173,129	166,277	6,852	4%
Cost of sales	(42,275)	(34,321)	(7,954)	23%	(146,939)	(147,479)	540	0%
Gross profit	6,974	6,916	58	1%	26,190	18,798	7,392	39%
Operating expenses	(3,811)	(3,544)	(267)	8%	(15,135)	(13,168)	(1,967)	15%
Operating income	3,163	3,372	(209)	-6%	11,055	5,630	5,425	96%
Non operating or other	(299)	(1,981)	1,682	85%	(8,744)	(6,162)	(2,582)	42%
Income tax recovery (expenses)	(851)	(430)	(421)	98%	(1,042)	4	(1,046)	-100%
Net income (loss)	2,013	961	1,052	109%	1,269	(528)	1,797	340%
Adjusted EBITDA[1]	4,885	5,008	(123)	-2%	14,318	13,354	964	7%
Net income (loss) per share – basic	0.21	0.10			0.13	(0.06)		
Net income (loss) per share - diluted[2]	0.21	0.10			0.13	(0.06)		

[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.

Operational highlights

- Total processing volumes were down 8% in the fourth quarter and flat year-to-date when compared to the same periods in 2023. The quarterly sales volumes in 2023 did not follow typical seasonality patterns. In particular, we reported much stronger than normal volume growth and financial results during the first and fourth quarter of 2023. This was primarily driven by the front loading of customer sales orders in the first six months of the year, as customers prepared for temporary production constraints resulting from our exit from our legacy Burnaby site during the second quarter, and prior to the full commissioning of our Delta Line 2 at our new Delta, BC facility. As our new Delta Line 2 ramped up production over the summer and fall of 2023, and with all production now consolidated in one location, the backlog of orders that had accumulated during the transition from Burnaby, were processed and shipped in the fourth quarter of 2023. With all production now consolidated in Delta and both decaffeination lines running 24/7, except for planned maintenance, we have returned to a more normal distribution of sales.

- The value of our inventory position increased when compared to 2023. As the volume of inventory held is flat, 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 Q4, peaking at US$3.36/lb in December. 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 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 year to date.

Revenue

We 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, decaffeinate, and resell.
- "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 C$ '000s	3 months ended December 31				12 months ended December 31			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Process revenue	9,742	10,211	(469)	-5%	36,226	35,425	801	2%
Green revenue	36,515	28,003	8,512	30%	125,536	119,051	6,485	5%
Distribution revenue	2,992	3,023	(31)	-1%	11,367	11,801	(434)	-4%
Total Revenue	49,249	41,237	8,012	19%	173,129	166,277	6,852	4%

Revenue for the quarter and year ended December 31, 2024, was $49.2 million and $173.1 million respectively, which represents a $8.0 million and $6.9 million increase when compared to the same periods last year. The increase was primarily driven by a higher NY'C' coffee commodity price.

Revenue by Category

Process revenue decreased by $0.5 million or 5% to $9.7 million in the fourth quarter and rose by $0.8 million or 2% to $36.2 million for the year-to-date period. The change in the quarter was primarily driven by customer sales mix and a decline in volume as a backlog of orders was processed in Q4 of 2023, as described above. The year-do-date change was primarily driven by customer sales mix and foreign exchange benefits associated with the appreciating US$.

Green coffee revenue increased by $8.5 million or 30% to $36.5 million in the fourth quarter and increased by $6.5 million or 5% to $125.5 million for the year-to-date period. The change in both periods was primarily driven by the increased NY'C' coffee prices, higher green coffee differentials, and foreign exchange benefits associated with the appreciating US$.

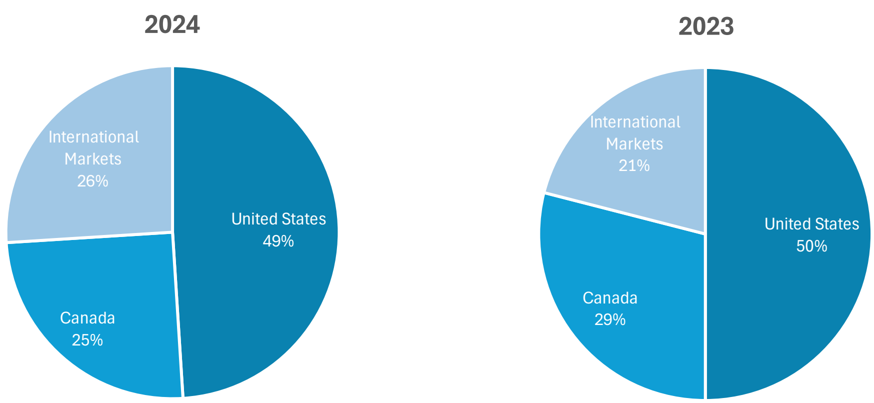
Distribution revenue decreased by $0.03 million or 1% to $3.0 million in the fourth quarter and decreased by $0.4 million or 4% to $11.4 million for the year-to-date period. The change in both periods was primarily driven by lower freight rates compared to the same periods in 2023.

Our largest geographical market by volume in the fourth quarter of this year was the United States, followed by international markets and Canada.

Our sales volume by geographical segment for the quarter and year ended December 31, 2024, are as follows:

- Sales volume in North America decreased by 15% in Q4 and 2% year-to-date.
- Sales volume in international markets increased by 18% in Q4 and 11% year-to-date.

By dollar value, 49% of our sales in the year were to customers in the United States, 26% were to international customers, and 25% were to Canadian customers.



Cost of Sales, Gross Profit and Operating expenses

In C$ '000s	3 months ended December 31				12 months ended December 31			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Cost of sales	42,275	34,321	7,954	23%	146,939	147,479	(540)	0%
Gross profit	6,974	6,916	58	1%	26,190	18,798	7,392	39%
Operating expenses								
Administrative expenses	2,803	2,315	488	21%	11,334	9,059	2,275	25%
Sales and marketing expenses	1,008	1,229	(221)	-18%	3,801	4,109	(308)	-7%
Total operating expenses	3,811	3,544	267	8%	15,135	13,168	1,967	15%

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, commodity hedges and an allocation of fixed overhead costs, such as 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. Typically, the NY'C' component makes up more than 80% of the total cost of green coffee, while the quality differential accounts for less than 20%. Both fluctuate in response to fundamental commodity factors that affect supply and demand.

Cost of sales also includes the costs of operating Seaforth's warehouse.

For the quarter and year ended December 31, 2024, cost of sales totaled $42.3 million and $146.9 million respectively, an increase of $8.0 million or 23% in the quarter and a decrease of $0.5 million or 0%, for the year-to-date, when compared to the same periods last year. The fourth quarter increase was primarily driven by an elevated NY'C', partially offset by a decline in volume and lower utility rates.

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 year ended December 31, 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. Year-to-date, the decrease was primarily driven by cost savings associated with the consolidation of operations at one location and the $2.5 million decrease in one-time depreciation expense, partially offset by the elevated NY'C'.

Gross Profit

Gross profit for the quarter and year ended December 31, 2024, was $7.0 million and $26.2 million respectively, which represents a $0.1 million increase in the fourth quarter and a $7.4 million increase for the year-to-date, when compared to the same periods in 2023. Gross margin percentage for the quarter was 14%, down from 17% in Q4 last year. For the year-to-date, it was 15%, up from 11% for the same period last year. The fourth quarter decline in gross margin percentage was driven by a decrease in volume and a higher proportion of green coffee revenue, which have lower margins. Year-to-date the improvements were driven by cost savings associated with the consolidation of operations at one location, reducing our costs for building maintenance, utilities, staffing, and transportation between locations, lower utility rates, higher green coffee differentials, foreign exchange benefits associated with the appreciating US$, and the $2.5 million decrease in one-time depreciation expense mentioned above.

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 quarter and year ended December 31, 2024, administration expenses totaled $2.8 million and $11.3 million respectively, an increase of $0.5 million or 21% in the quarter and $2.3 million or 25% for the year-to-date, when compared to the same periods last year. The primary drivers of the higher expense were an increase in non-cash stock-based compensation driven by growth in Swiss Water's share price, planned headcount and wage increases, and higher professional fees. In addition, a portion of the increase was attributed to salaries and wages associated with the construction of new Delta Line 2 no longer being capitalized, as the project is complete. These factors 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 quarter and year ended December 31, 2024, sales and marketing expenses totaled $1.0 million and $3.8 million respectively, a decrease of $0.2 million or 18% in the quarter and $0.3 million or 7% for the year-to-date, when compared to the same periods in 2023. The main drivers for the decrease in both periods were due to scheduling changes of marketing activities, which are now planned for 2025.

Non-operating or other income and expense

In C$ '000s	3 months ended December 31				12 months ended December 31			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Gain (loss) on risk management activities	477	356	121	34%	(2,161)	457	(2,618)	-573%
Gain (loss) on fair value of embedded option	(315)	(126)	(189)	150%	(979)	76	(1,055)	-1,388%
Other gains	-	-	-	0%	-	175	(175)	-100%
Finance income	334	492	(158)	-32%	1,749	1,629	120	7%
Finance expense	(1,865)	(2,326)	461	-20%	(8,740)	(8,265)	(475)	6%
Gain (loss) on foreign exchange	1,070	(377)	1,447	384%	1,387	(234)	1,621	693%
Total non-operating or other	(299)	(1,981)	1,682	85%	(8,744)	(6,162)	(2,582)	42%

Gains and Losses on Risk Management Activities

Our financial results include gains or losses from risk management activities related to derivative instruments designated for hedge accounting. For instruments designated under hedge accounting (see 'Hedge Accounting' section), the gains or losses are reflected in revenue, cost of sales, or other comprehensive income for future transactions.

During the fourth quarter of 2024, we recorded a gain of $0.5 million on risk management activities, compared to a gain of $0.4 million in the same quarter of 2023. For the year ended December 31, 2024, we recorded a loss of $2.2 million, compared to a gain of $0.5 million in the corresponding period of 2023. These changes were primarily attributable to unrealized gains or losses from hedging activities, related to fluctuations in the NY'C' coffee commodity price and the impact of the appreciating US$.

Gains and Losses on Fair Value of Embedded Option

The change in 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 the end of each reporting period. 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 the end of each reporting period.

The revaluation of this embedded option resulted in a loss of $0.3 million and a loss of $1.0 million for the quarter and year ended December 31, 2024 respectively, compared to a loss of $0.1 million and a gain of $0.1 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 13.2 in the audited consolidated 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 year ended December 31, 2023, the Company recognized other gains in the amount of $0.2 million. There were no such gains in the year 2024.

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 quarter and year ended December 31, 2024, net finance expenses totaled $1.5 million and $7.0 million respectively, a decrease of $0.3 million or 17% in the quarter and an increase of $0.4 million or 5% for the year-to-date, when compared to the same periods last year. The fourth quarter decrease was primarily due to the removal of interest associated with the debenture with warrants, following repayment on October 31, 2024. The year-do-date 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 is 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 quarter and year ended December 31, 2024, we recorded a gain on foreign exchange of $1.1 million and a gain of $1.4 million respectively, compared to losses of $0.4 million and $0.2 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$1.39 in Q4 2024, compared to C$1.36 in Q4 2023. Year-to-date, the exchange rate averaged C$1.37, compared to an average of C$1.35 in 2023.

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 quarter and year ended December 31, 2024, we recorded net income before taxes of $2.9 million and $2.3 million respectively, compared to net income before taxes of $1.4 million and a net loss of $0.5 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 quarter and year ended December 31, 2024, was a loss of $2.2 million and $2.7 million respectively, compared to a gain of $1.4 million and $1.1 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 C$ '000s except for shares and per share data	3 months ended December 31 2024	2023	12 months ended December 31 2024	2023
Basic and diluted income (loss) per share				
Net income (loss) attributable to shareholders	$ 2,013	$ 961	$ 1,269	$ (528)
Weighted average number of shares	9,517,552	9,212,955	9,440,696	9,206,368
	$ 0.21	$ 0.10	$ 0.13	$ (0.06)

Reconciliation of non-IFRS Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure that is often used to assess operating cash flow by excluding financing costs, taxes, and non-cash items. We believe this measure provides readers with additional insight into Swiss Water's financial performance and capacity to pay distributions to stakeholders when considered alongside IFRS measures. Since Adjusted EBITDA lacks a standardized IFRS definition, it may not be comparable to similar measures presented by other companies.

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.

For the quarter and year ended December 31, 2024, Adjusted EBITDA was $4.9 million and $14.3 million respectively, reflecting a decrease of $0.1 million for the quarter and an increase of $1.0 million for the year-to-date, compared to the prior year periods. The fourth quarter decrease was driven by a decrease in volume and an increase in operating expenses, partially offset by gains on risk management activities. The year-to-date increase was driven by higher gross profit, partially offset by increased operating expenses and losses on risk management activities.

The following table provides a reconciliation between Adjusted EBITDA and operating income, the most comparable IFRS measure for the periods presented:

In C$ '000s	3 months ended December 31 2024	2023	12 months ended December 2024	2023
Operating income	$ 3,163	$ 3,372	$ 11,055	$ 5,630
Depreciation & amortization	1,617	1,752	6,777	9,188
Share-based compensation	302	130	1,277	597
Gain (loss) on risk management activities	477	356	(2,161)	457
Unrealized (gain) loss on foreign exchange forward contracts	(34)	38	(71)	127
Impact of IFRS 16 - Leases	(640)	(640)	(2,559)	(2,645)
Adjusted EBITDA	$ 4,885	$ 5,008	$ 14,318	$ 13,354

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

In C$ '000s	3 months ended December 31		12 months ended December 31	
	2024	2023	2024	2023
Net income (loss) for the period	$ 2,013	$ 961	$ 1,269	$ (528)
Income tax (recovery) expense	851	430	1,042	(4)
Income (loss) before tax	$ 2,864	$ 1,391	$ 2,311	$ (532)
Finance income	(334)	(492)	(1,749)	(1,629)
Finance expense	1,865	2,326	8,740	8,265
Depreciation & amortization	1,617	1,752	6,777	9,188
Unrealized (gain) loss on foreign exchange forward contracts	(34)	38	(71)	127
Fair value (gain) loss on the embedded option	315	126	979	(76)
Other gains	-	-	-	(175)
Loss (gain) on foreign exchange	(1,070)	377	(1,387)	234
Share-based compensation	302	130	1,277	597
Impact of IFRS 16 - Leases	(640)	(640)	(2,559)	(2,645)
Adjusted EBITDA	$ 4,885	$ 5,008	$ 14,318	$ 13,354

Selected Annual Information

In C$ '000s except per share amounts	December 31 2024	December 31 2023	December 31 2022
Balance Sheet			
Total assets	216,918	200,335	219,039
Total non-current liabilities	78,680	108,098	123,405
Income Statement			
Revenue	173,129	166,277	176,935
Net income (loss)	1,269	(528)	2,387
Adjusted EBITDA[1]	14,318	13,354	16,659
Dividends paid	-	-	-
Per share, basic[2]			
Net income (loss)	0.13	(0.06)	0.26
Adjusted EBITDA[1]	1.52	1.45	1.82
Dividends declared	-	-	-
Per share, diluted[2]			
Net income (loss)	0.13	(0.06)	0.26
Adjusted EBITDA [1]	1.52	1.45	1.82

[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.

The selected annual information, other than Adjusted EBITDA, was derived from the financial statements for the year ended December 31, 2024, which are prepared in accordance with IFRS. Our total assets, and in particular our working capital accounts, can fluctuate in relation to the NY'C'. Both 2022 and 2024 saw sustained levels of elevated NY'C'. Our total long-term liabilities decreased in 2023 as the debenture with warrants was reclassified to a current liability. In 2024, our total long-term liabilities further decreased as our operating credit facility is up for renewal in 2025.

Summary of Quarterly Results

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 C$ '000s except for per share amounts	8 Quarter Average	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	42,426	49,249	41,778	43,372	38,730	41,237	32,627	43,368	49,045
Gross Profit	5,624	6,974	6,436	7,665	5,115	6,916	3,576	3,412	4,894
Operating income	2,086	3,163	2,780	3,748	1,364	3,372	758	76	1,424
Adjusted EBITDA[1]	3,459	4,885	2,161	4,484	2,788	5,008	1,539	1,825	4,982
Net income (loss)	93	2,013	(791)	947	(900)	961	(417)	(371)	(701)
Per Share[2]									
Net income (loss) - basic	0.01	0.21	(0.08)	0.10	(0.10)	0.10	(0.05)	(0.04)	(0.08)
Net income (loss) - diluted	0.00	0.21	(0.08)	0.07	(0.10)	0.10	(0.05)	(0.06)	(0.08)

[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.

4. FINANCIAL AND CAPITAL MANAGEMENT

Liquidity

As at December 31, 2024, cash and cash equivalents were $8.5 million and working capital was $4.0 million, compared with cash and cash equivalents of $11.1 million and working capital of $27.3 million as at December 31, 2023. The main driver for the decrease in working capital in 2024 is due to the reclassification of our operating credit facility to a current liability, as it is up for renewal in 2025. We believe that our existing cash, cash generated from our operating activities, and the availability under our operating credit facilities (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 also use our cash on hand for daily operational funding requirements.

Borrowings

The following is a summary of available credit as at December 31, 2024:

In C$ '000s	Maximum credit	Available credit	Outstanding loans principal balance[(2)]	Net available credit
Credit facility with a Canadian bank [(1)]	$ 45,000	$ 39,245	$ 35,407	$ 3,838
Credit facility with EDC	6,250	6,250	6,250	-
Construction loans with BDC/FCC	57,000	57,000	57,000	-
	$ 108,250	$ 102,495	$ 98,657	$ 3,838

[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.

As at December 31, 2024, Swiss Water maintains credit facilities with a major Canadian bank and another 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. The outstanding balance on the credit facility with the Canadian bank was $35.4 million as at December 31, 2024 (December 31, 2023: $26.9 million), while $6.3 million was drawn on EDC Credit (December 31, 2023: nil). In addition, Swiss Water has construction loans with Business Development of Canada ("BDC") and Farm Credit Canada ("FCC"), which relate to the build out of the two new production lines at our facility in Delta. As at December 31, 2024, the balance owing to BDC was $28.5 million, the same amount as to FCC, $28.5 million. During the year 2024, Swiss Water repaid the debenture and the interest portion owing to Mill Road, whilst warrants related to the debenture with warrants remain outstanding until April 2026.

Additional detailed information on each of the borrowings is disclosed in the 2024 consolidated financial statements.

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of December 31, 2024, Swiss Water was in compliance with all covenants.

Credit Facilities with a Canadian Bank

Our primary revolving credit facility ("Credit Facility"), established in 2019 with a major Canadian bank, initially provided for borrowings up to the lower of the Borrowing Base and $30.0 million. In 2022, we increased our available credit 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 was extended from October 18, 2022, to the earlier of October 19, 2025, or an event triggering default. Discussions have been initiated with the existing provider to renew this facility.

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 Borrowing Base is determined by our eligible inventories and accounts receivable, commodity hedging account equity margin, and market-to-market gains, netted against any losses in the commodity account and foreign exchange contract facility. The facility allows for borrowings in both Canadian and US dollars to fund operations, capital expansions, letters of credit, and 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, following a banking benchmark replacement transition, the Canadian Bank lender amended the existing credit facility agreement, to replace LIBO Rate with SOFR and Bankers' Acceptance Rate plus an acceptance fee with CORRA.

The Credit Facility includes 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.

Credit Facilities with EDC

Our credit arrangement with EDC consists of two components, a credit facility of up to $6.25 million and a $6.0 million foreign exchange guarantee.

In 2022, we established the revolving credit facility agreement with EDC (the "EDC Credit") to provide additional operational liquidity as needed. The EDC Credit is administered by our primary Credit Facility lender, with all security and guarantees held by the Credit Facility lender extending to secure the EDC Credit.

Borrowings under the EDC Credit accrue interest at the Canadian Prime Rate plus 1.5% per annum and are 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 third anniversary of the effective date of November 22, 2022, 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 December 31, 2024, $6.3 million was drawn on EDC Credit (December 31, 2023: nil).

In addition to the credit facility, Swiss Water entered into a foreign exchange facility guarantee with EDC on June 1, 2020, to address margin requirements related to the foreign exchange facility. Our Credit Facility Lender formally recognized this third-party guarantee through an amendment to the credit agreement on August 4, 2020. The guarantee, valid until May 31, 2025, provides coverage for a maximum aggregate liability of $6.0 million and enhances our borrowing capacity within the existing credit facility.

Construction Loan with BDC and FCC

Our construction financing arrangements with BDC and FCC have supported the expansion of our Delta, British Columbia facility. The initial financing was established in 2018 through a term loan facility ("Term Loan") of up to $20.0 million with BDC, carrying an interest rate of 4.95% per annum over 12 years. Principal repayments were originally scheduled to commence on July 1, 2021, and mature on June 1, 2033.

In 2021, we expanded our financing capacity to $45.0 million to fund the construction of a second production line at our Delta location. This expansion was structured as a Pari Passu arrangement between BDC and FCC, with each lender providing 50% of the total financing. Under this arrangement, the original BDC borrowing increased from $20.0 million to $22.5 million ("BDC Amended Term Loan"), and FCC provided an additional $22.5 million ("FCC Term Loan"). At the transaction's closing, our outstanding debt to each lender was $10.0 million, with FCC paying $10.0 million to BDC on our behalf to facilitate the Pari Passu restructuring.

The FCC Term Loan is comprised of both fixed and variable components, with the fixed portion bearing an interest rate of 4.38% until maturity, while the variable portion carries a rate of the variable rate minus 0.75%. The BDC Amended Term Loan maintains a fixed interest rate of 4.45% until maturity. Both loans are secured through a general security agreement and first security interest on all existing and newly financed equipment and machinery, with Seaforth providing additional guarantees to both FCC and BDC.

In 2022, we further amended our senior debt facility with BDC and FCC (the "Amended Senior Facility"), securing an additional $12.0 million in senior debt financing on favorable terms. This amendment increased our total senior debt facility from $45.0 million to $57.0 million, with the incremental funding split equally between the lenders. As at December 31, 2024, the total loan principal outstanding remained at $57.0 million (December 31, 2023: $57.0 million). These additional funds, combined with our existing credit facilities and internal cash flow, enabled the completion of our second production line in Delta.

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of December 31, 2024, Swiss Water was in compliance with all covenants.

Originally, the loan terms required interest-only payments until July 1, 2024, after which principal repayments were to commence. However, pursuant to an amendment effective June 2024, the interest-only payment period has been extended to December 31, 2024, with monthly installments covering both principal and interest now scheduled to begin on January 1, 2025. The loans will continue to be repaid through monthly installments until their maturity on June 1, 2034. Required principal repayments are approximately $6.0 million per year until maturity. Early repayment options remain available, subject to specific conditions. This amendment has been treated as a modification under IFRS 9, with no associated gain or loss recognized. As of December 31, 2024, Swiss Water remains in compliance with all covenants related to the maintenance of specified financial ratios.

Debenture with Warrants / Convertible Debenture with Mill Road Capital

In 2021, Swiss Water amended its existing $15.0 million convertible debenture agreement with Mill Road to a $15.0 million debenture with warrants. This amendment extended the maturity date by one year to October 31, 2024 (as referenced in the Subsequent Events section of this document) and implemented several key changes to the agreement terms. These modifications included an increase in the interest rate from 7.85% to 9%, the addition of a 1.5% "payment in kind" interest component, and an increase in the senior debt covenant from $45.0 million to $60.0 million. Additionally, the existing debt-to-shares conversion feature was cancelled and replaced with warrants allowing Mill Road to purchase up to 2.25 million common shares at $3.33 per share.

Further amendments to the debenture and warrants agreement were executed in 2022, while maintaining the original $15.0 million principal and October 31, 2024 maturity date. These amendments expanded the Senior Debt restricted covenant, granted Swiss Water the right to prepay principal, added secondary security on the debenture, and increased the senior debt limit to $123.25 million. The interest structure remained unchanged at 9% paid quarterly plus 1.5% interest in kind accrued quarterly. The warrants agreement was also modified to extend the maturity date to April 30, 2026, and introduce a cashless exercise option, allowing Mill Road to receive shares equal in value to the difference between the $3.33 exercise price and the shares' fair market value at exercise.

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 December 31, 2024, it is valued at $2.3 million, using the Black Scholes Option Pricing Model (December 31, 2023: $1.4 million).

The debenture with warrants was repaid in full on October 31, 2024. The total repayment of $15.9 million consisted of $15.0 million of principal and $0.9 million of accrued interest. Following this payment, all obligations, duties and responsibilities of the parties to the debenture were concluded. The maturity of the debenture did not affect the obligations of the Company or the rights of Mill Road under their existing warrant agreement.

Summary of Cash Flows

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

In C$ '000s	3 months ended December 31			12 months ended December 31		
	2024	2023	$ Change	2024	2023	$ Change
Net cash flows provided by (used in):						
Operating activities	$ (4,762)	$ 9,298	$ (14,060)	$ 2,141	$ 30,545	$ (28,404)
Investing activities	(203)	(2,018)	1,815	(963)	(19,550)	18,587
Financing activities	(1,504)	(2,903)	1,399	(3,755)	(3,665)	(90)
Net cash increase (decrease) for the period	**$ (6,469)**	**$ 4,377**	**$ (10,846)**	**$ (2,577)**	**$ 7,330**	**$ (9,907)**
Cash and cash equivalents beginning of period	14,983	6,714	8,269	11,091	3,761	7,330
Cash and cash equivalents end of period	**$ 8,514**	**$ 11,091**	**$ (2,577)**	**$ 8,514**	**$ 11,091**	**$ (2,577)**

Operating Activities

For the quarter and year ended December 31, 2024, net cash used in operating activities was $4.8 million and net cash generated by operating activities was $2.1 million respectively, compared to net cash generated of $9.3 million and $30.5 million for the same periods in 2023. The differences between periods are due to the investment in, or the release of, working capital. In the second half of this year, our working capital balance increased primarily due to the elevated NY'C'. 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 quarter and year ended December 31, 2024, net cash used in investing activities was $0.2 million and $1.0 million respectively, compared to $2.0 million and $19.6 million for the same periods in 2023. In 2024, we incurred minimal capital expenditures, while in 2023, the cash used was primarily driven by the construction of our new production line in Delta.

Financing Activities

For the quarter and year ended December 31, 2024, net cash from financing activities was net repayments of $1.5 million and $3.8 million respectively, compared to net repayments of $2.9 million and $3.7 million for the same periods in 2023. In 2024, the $15.0 million principal repayment on the debenture with warrants was partially offset by net proceeds from our operating credit facilities, which were used to finance the increase in working capital, as a result of the elevated NY'C'. In 2023, repayments to our operating credit facility were partially offset by net proceeds from our construction loans, associated with the second production line in Delta. The repayments to our operating credit facility in 2023 were made using cash generated from operating activities, supplemented by the release of working capital.

Working Capital

In C$ '000s	December 31 2024	December 31 2023	$ Change
Cash and cash equivalents	$ 8,514	$ 11,091	$ (2,577)
Accounts receivable	23,332	19,110	4,222
Inventory	44,494	30,338	14,156
Other current assets	10,989	3,126	7,863
Total current assets	**$ 87,329**	**$ 63,665**	**$ 23,664**
Accounts payable and accrued liabilities	29,044	15,189	13,855
Current borrowings	47,316	17,379	29,937
Other current liabilities	7,011	3,810	3,201
Total current liabilities	**$ 83,371**	**$ 36,378**	**$ 46,993**
Net working capital	**$ 3,958**	**$ 27,287**	**$ (23,329)**

Accounts Receivable

Our accounts receivable increased by $4.2 million or 2% when compared to December 31, 2023. In total, 85% of Swiss Water's accounts receivable were current as at December 31, 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.

Inventory

Our inventory position increased by $14.2 million or 47% 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 December 31, 2024, was $7.9 million, compared to $0.8 million as at December 31, 2023.

Accounts Payable and Accrued Liabilities

Our accounts payable and accrued liabilities increased by $13.9 million or 91% when compared to December 31, 2023. The increase reflects an elevated NY'C' and is on par with our increase in inventory.

Current Borrowings

Our current borrowings increased by $29.9 million or 172% when compared to December 31, 2023. The increase is due to the reclassification of our operating credit facility to current as it is up for renewal in 2025 and the current portion of our construction loans, partially offset by the repayment of the debenture with warrants.

Contractual Obligations

The following table sets forth our contractual obligations and commitments as at December 31, 2024:

In C$ '000s	Total	Less than 1 year	2-3 years	4-5 years	Over 5 years
Long-term debt[1]	$ 57,250	$ 5,613	$ 12,000	$ 12,000	$ 27,637
Financing leases[2]	7,901	2,574	4,569	758	-
Credit facilities[3]	41,711	41,711	-	-	-
Purchase obligations[4]	82,844	82,844	-	-	-
Total contractual obligations	$ 189,706	$ 132,742	$ 16,569	$ 12,758	$ 27,637

1 Long-term debt represents the principal amounts on the 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, and 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. The initial lease term was five years and renewable at Swiss Water's discretion in five-year increments, up to a total of 30 years. The lease commenced in July 2018. Under the lease, Swiss Water has multiple options to buy the land and building at specified future dates starting at the end of the second five-year term. The buy-out value will be determined through an appraisal process, aligning with the fair market value of the property, subject to a specified maximum value of $27.0 million and a minimum value of $24.0 million agreed upon in the lease contract. Management believes that the current fair market value of the property is in excess of the specified maximum value which would result in the buy-out value being this specified maximum value. 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 an expiry date between January 2025 and October 2028.

5. 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 C$ '000s	3 months ended December 31		12 months ended December 31	
	2024	2023	2024	2023
Sales	$ 340	$ 340	$ 785	$ 1,078
Purchases of raw materials	$ 2,767	$ 2,007	$ 9,348	$ 6,705

All transactions were in the normal course of business and were measured at the fair value of the consideration received or receivable, which was established and agreed upon with related parties. As at December 31, 2024, our accounts receivable balance with this company was nil while our accounts payable balance with this company was $0.8 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, 2024.

6. 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 December 31, 2024, there were 9,517,552 common shares issued and outstanding (December 31, 2023: 9,212,955). During 2024, employee RSUs were 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 December 31, 2024, there were no preferred shares issued and outstanding (December 31, 2023: nil).

7. OFF-BALANCE SHEET ARRANGEMENTS

Swiss Water has no off-balance sheet arrangements.

8. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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, inflation (such as commodity price increases beyond our control), 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.

In recent years geopolitical pressures have increased. Tensions have emerged that have enhanced country and regional specific risks, including Ukraine, Russia and Israel. At this time there is uncertainty over the full impact of these pressures on Swiss Water's business. Accordingly, we cannot provide assurance that geopolitical tensions will not negatively affect our legacy trading relationships and growth ambitions.

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. Our new plant in Delta was built to higher seismic standards than our legacy plant in Burnaby, however, 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.

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$ to manage foreign exchange risk related to both customer-specific green coffee inventory purchases and capital equipment acquisitions.

For customer-specific hedging, we use forward contracts to purchase US$ for green coffee inventory that, once decaffeinated, will be sold at a fixed C$ price under a contractual agreement. This approach effectively locks in the C$ cost of inventory, ensuring price stability for our customers. These hedges are re-measured to fair value at each period-end. Under hedge accounting, any associated gains or losses are deferred on the statement of financial position until the inventory is sold, at which point they are recorded in cost of sales on the income statement.

This structured approach to hedging helps manage financial risk and ensures greater predictability in costs.

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 December 31, 2024, Swiss Water had futures contracts to buy 6.5 million pounds of green coffee with a notional value of US$20.4 million, and contracts to sell 17.0 million pounds of green coffee with a notional value of US$53.6 million. The furthest contract matures in March 2026 (December 31, 2023: buy green coffee with a notional value of US$17.1 million, and contracts to sell 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 $0.2 million to the net income before tax, and vice versa (December 2023: $0.1 million gain).

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 December 31, 2024, Swiss Water had forward currency contracts to buy US$5.1 million and sell US$44.5 million (December 31, 2023: buy US$9.9 million and sell US$51.3 million) from January 2025 through to August 2027 at various Canadian exchange rates ranging from $1.30 to $1.44. 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 income and other comprehensive income before tax, and vice versa (December 2023: $0.3 million gain).

9. 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 $2.5 million for the year ended December 31, 2023. There was no such change in estimate during the year ended December 31, 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, 2024, Swiss Water and our subsidiaries had combined a non-capital tax loss carry forward totaling $60.0 million, which will begin to expire in 2039. Of the $60.0 million non-capital tax losses carry forwards, $2.4 million does not expire. 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 December 31, 2024, Swiss Water recognized the fair value of the embedded option in the debenture with warrants in the amount of $2.3 million (2023: $1.4 million). For the quarter and year ended December 31, 2024, Swiss Water recorded a loss of $0.3 million and $1.0 million respectively (2023: loss of $0.1 million and a gain of $0.1 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.

		December 31, 2024		December 31, 2023
Share price	$	3.92	$	2.78
Exercise price	$	3.33	$	3.33
Option life		1.33 years		2.33 years
Volatility		38%		42%
Risk-free interest rate		2.92%		3.91%
Dividend yield		0.00%		0.00%

10. 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.

- *IFRS 16 Leases* has amended guidance over accounting for lease liability in a sale and leaseback transaction.
- *IAS 1 Presentation of financial statements* 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.
- *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.

The following standards are effective for periods beginning after January 1, 2025. The Company is assessing the impacts to the consolidated financial statements.

- *IFRS 7 Financial instruments disclosure*, in tandem with *IFRS 9 Financial instruments*, provides amendments to the classification and measurements of financial instruments, gains and loss on derecognition of financial instruments (including derecognition of lease liabilities and transaction price). The standards also clarify the dates of the initial recognition and derecognition of financial assets, and they clarify the initial measurement of financial instruments when the fair value at initial recognition differs from the transaction price. IFRS 7 further provides guidance on implementing disclosure of deferred differences between fair value and transaction price and credit risk disclosure. In addition, these standards address contracts that reference nature-dependent electricity. The effective date for these amendments is for annual reporting periods beginning on or after 1 January 2026, however, earlier application is permitted.
- *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 accounting for a subsidiary when a parent company loses control of the subsidiary. The standards also clarify the determination of a 'De Facto Agent' when assessing control

and provide other annual improvements to the standard. IAS 28 amended equity method procedures. The amendments' effective date is January 1, 2026, early adoption is permitted.

- *IAS 7 Statement of cash flows* amended paragraph 37 to clarify investments in subsidiaries, associates, and joint ventures. Amendments are applicable for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.
- *IFRS 18 Presentation and disclosure in the financial statements*, is a new standard issued by IASB in April 2024. The new Standard is applicable for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.
- *IFRS 19 Subsidiaries without public accountability: disclosures* is a new standard issued by IASB in May 2024. The new Standard is applicable for annual reporting periods beginning on or after 1 January 2027. Earlier application 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. The amendments' effective date is January 1, 2025, early adoption is permitted.

11. 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 December 31, 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 December 31, 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 December 31, 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 December 31, 2024, that have materially affected or are reasonably likely to materially affect, Swiss Water's ICFR.

12. SUBSEQUENT EVENT

On February 16, 2025, a total of 52,000 of the outstanding RSUs vested pursuant to the Company's RSU plan. Of the vested RSUs, 27,000 were converted to common shares and the remainder of RSUs were returned to the RSU pool.

SWISS WATER DECAFFEINATED COFFEE INC.
CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and December 31, 2023

Independent Auditor's Report

To the Shareholders of Swiss Water Decaffeinated Coffee Inc.:

Opinion

We have audited the consolidated financial statements of Swiss Water Decaffeinated Coffee Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of income (loss) and comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of hedge accounting for derivative financial instruments

Key Audit Matter Description

We draw attention to Note 3.11 - Summary of significant accounting policies - Financial instruments, Note 9 - Derivative financial instruments, Note 25.1 - Commodity price risk hedges on purchase commitments and inventory, and Note 25.2 - Foreign exchange currency risk hedges of the consolidated financial statements.

The Company uses derivative financial instruments to hedge the risk exposure of commodity prices and foreign currency. The Company designates derivative financial instruments as hedging instruments; and designates the majority of forecasted sales revenue and the change in fair value of designated coffee inventory and hedged firm commitments as hedged items to help manage the risk of change in commodity prices and foreign exchange. Management calculates changes in fair value of hedging instruments and hedged items.

The principal consideration for our determination that this is a key audit matter is due to its complexity; management judgment to determine the correct treatment and presentation under hedge accounting; pervasive impact to the Company's financial performance; and audit effort in performing audit procedures to assess the appropriateness of the Company's conclusion.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audit Response

We responded to this matter by performing procedures in relation to the application of hedge accounting for derivative financial instruments. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and reviewed most-up-to-date Commodity Risk Management and Foreign Exchange Risk Management Policies approved by the Board of Directors.
- Reviewed consolidated financial statement note disclosures related to commodity price risk hedges on purchase commitments and inventory and foreign exchange currency risk hedges related to sale and purchase in U.S. dollars for completeness, adequacy, and appropriateness.
- On a sample basis, tested operative effectiveness of internal controls relevant to designation of derivatives as hedges and appropriateness of classification as revenue and cost of sale items.
- Engaged internal specialists to obtain an independent market-to-market rate factor used to calculate the unrealized gain or loss as at year-end for foreign exchange hedging and used to assess reasonability of unrealized gain or loss recognized by management as at year-end.
- Obtained third-party confirmations and agreed balances recorded as at year-end in the consolidated financial statements to the amounts confirmed.
- On a sample basis, recalculated realized foreign exchange gain or loss recognized for the matured hedges during the period and assessed amounts recognized by management for reasonability and appropriateness.
- On a sample basis, recalculated realized gain or loss recognized for futures contracts to buy green coffee received by the Company and sold during the period and assessed amounts recognized by management for reasonability and appropriateness.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

Vancouver, British Columbia

MNP LLP

March 12, 2025

Chartered Professional Accountants

Consolidated Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

	Note	December 31, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	6	$ 8,514	$ 11,091
Accounts receivable	7	23,332	19,110
Inventories	8	44,494	30,338
Prepaid expenses and other receivables		753	884
Income tax receivable	14	-	167
Derivative assets and hedged firm commitments	9, 25	10,236	2,075
Total current assets		87,329	63,665
Non-current assets			
Deposits and other receivables		157	157
Property, plant and equipment	10	129,323	135,736
Deferred tax assets	14	109	135
Derivative assets	9, 25	-	642
Total non-current assets		129,589	136,670
Total assets		$ 216,918	$ 200,335
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	12	$ 29,044	$ 15,189
Borrowings	13	47,316	17,379
Other liabilities	15	1,289	1,141
Lease liabilities	16	1,781	1,681
Derivative liabilities and hedged firm commitments	9, 25	3,941	988
Total current liabilities		83,371	36,378
Non-current liabilities			
Other liabilities	15	186	64
Borrowings	13	51,225	80,804
Borrowings embedded option	13.2	2,332	1,353
Lease liabilities	16	14,948	16,712
Asset retirement obligation	17	3,587	3,839
Deferred tax liabilities	14	5,177	5,275
Derivative liabilities	9, 25	1,225	51
Total non-current liabilities		78,680	108,098
Total liabilities		162,051	144,476
Shareholders' equity			
Share capital	18	$ 45,189	$ 44,318
Share-based compensation reserve		190	586
Accumulated other comprehensive (loss) income		(2,287)	449
Retained earnings		11,775	10,506
Total equity		54,867	55,859
Total liabilities and shareholders' equity		$ 216,918	$ 200,335

Commitments and contingencies (Notes 16 & 26)

Subsequent event (Note 27)

Approved on behalf of the Board: (signed) "***Alan Wallace*** ", Director (signed) "***Frank Dennis*** ", Director

– The accompanying notes form an integral part of these consolidated financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements of Income (Loss) for the Years Ended

(Tabular amounts are in thousands of Canadian dollars, except for per share amounts)

	Note	December 31, 2024	December 31, 2023
Revenue	19, 24	$ 173,129	$ 166,277
Cost of sales		(146,939)	(147,479)
Gross profit		26,190	18,798
Operating expenses			
Administration expenses		(11,334)	(9,059)
Sales and marketing expenses		(3,801)	(4,109)
Total operating expenses		(15,135)	(13,168)
Operating income		11,055	5,630
Non-operating or other			
(Loss) gain on risk management activities		(2,161)	457
(Loss) gain on fair value of embedded option	13.2	(979)	76
Other gains	17	-	175
Finance income		1,749	1,629
Finance expense	13	(8,740)	(8,265)
Gain (loss) on foreign exchange		1,387	(234)
Total non-operating or other		(8,744)	(6,162)
Income (loss) before tax		2,311	(532)
Income tax (expense) recovery	14	(1,042)	4
Net income (loss)		$ 1,269	$ (528)
Earnings per share			
Basic and diluted income (loss) per share	22	$ 0.13	$ (0.06)

– The accompanying notes form an integral part of these consolidated financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements Of Comprehensive (Loss) Income and Consolidated Statements of Changes in Shareholders' Equity

(Tabular amounts are in thousands of Canadian dollars except for amounts of shares)

Consolidated Statements Of Comprehensive (Loss) Income

	December 31, 2024	December 31, 2023
Net income (loss)	$ 1,269	$ (528)
Other comprehensive (loss) income net of tax		
Items that may be subsequently reclassified to income:		
Unrealized (loss) gain		
Derivatives designated as cash flow hedges - currency risk hedges on US$ future revenue	(4,826)	866
Items reclassified to income:		
Realized loss recognized in income		
Derivatives designated as cash flow hedges		
- currency risk hedges on US$ future revenue, recognized in revenue	1,019	738
Other comprehensive (loss) income related to hedging activities	(3,807)	1,604
Tax recovery (expense) on other comprehensive (loss) income related to hedging activities	1,053	(433)
Cumulative translation adjustment	18	(25)
Other comprehensive (loss) income net of tax	(2,736)	1,146
Net income (loss) and other comprehensive (loss) income	$ (1,467)	$ 618

Consolidated Statements of Changes in Shareholders' Equity

		Share capital					
	Note	**Shares**	**Amount**	**Share-based compensation reserve**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total equity**
Balance at December 31, 2022		**9,165,815**	**$ 44,194**	**$ 375**	**$ (697)**	**$ 11,034**	**$ 54,906**
Shares issued for restricted share units		47,140	124	(124)	-	-	-
Settlement of loan with restricted share units		-	-	(27)	-	-	(27)
Share-based compensation		-	-	362	-	-	362
Net loss and other comprehensive income		-	-	-	1,146	(528)	618
Balance at December 31, 2023		**9,212,955**	**$ 44,318**	**$ 586**	**$ 449**	**$ 10,506**	**$ 55,859**
Balance at December 31, 2023		**9,212,955**	**$ 44,318**	**$ 586**	**$ 449**	**$ 10,506**	**$ 55,859**
Shares issued for restricted share units	18.4	304,597	871	(871)	-	-	-
Share-based compensation		-	-	475	-	-	475
Net income and other comprehensive loss		-	-	-	(2,736)	1,269	(1,467)
Balance at December 31, 2024	18.1	**9,517,552**	**$ 45,189**	**$ 190**	**$ (2,287)**	**$ 11,775**	**$ 54,867**

– The accompanying notes form an integral part of these consolidated financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements of Cash Flows For the Years Ended

(Tabular amounts are in thousands of Canadian dollars)

	Note	December 31, 2024	December 31, 2023
Operating activities			
Net income (loss)		$ 1,269	$ (528)
Items not affecting cash:			
Depreciation and amortization	10, 11	6,777	9,188
Share-based compensation expense		1,277	597
Unrealized loss (gain) on risk management activities		(71)	127
Unrealized loss (gain) on fair value of embedded option	13.2	979	(76)
Finance income		(1,749)	(1,629)
Finance expense		8,740	8,265
Income tax expense (recovery)	14	1,042	(4)
Other		(577)	325
		17,687	16,265
Change in non-cash working capital relating to operating activities	23	(11,264)	18,473
Net cash generated from operations		**6,423**	**34,738**
Interest received		1,727	1,526
Interest paid	23	(6,169)	(5,501)
Income taxes recovered (paid)		160	(218)
Net cash generated from operating activities		**2,141**	**30,545**
Investing activities			
Additions to plant and equipment	23	(963)	(19,920)
Recovery of costs related to equipment	23	-	370
Net cash used in investing activities		**(963)**	**(19,550)**
Financing activities			
Payment of lease liabilities		(1,680)	(1,688)
Proceeds from credit facility	13.3	10,425	3,400
Repayments of credit facility	13.3	(3,750)	(17,500)
Proceeds from EDC credit facility	13.4	6,250	-
Repayment of MRC debenture with warrants	13.2	(15,000)	-
Proceeds from construction loans	13.1	-	12,542
Transaction costs related to debt financing activities	23	-	(419)
Net cash used in financing activities		**(3,755)**	**(3,665)**
(Decrease) increase in cash and cash equivalents		(2,577)	7,330
Cash and cash equivalents, beginning of the year		11,091	3,761
Cash and cash equivalents, end of the year		$ 8,514	$ 11,091

Supplemental cash flow information (Note 23)

– The accompanying notes form an integral part of these consolidated financial statements. –

1. NATURE OF BUSINESS

Swiss Water Decaffeinated Coffee Inc., ("Swiss Water" or the "Company"), is an entity incorporated under the Canada Business Corporations Act ("CBCA"). The common shares of the Company are listed on the Toronto Stock Exchange under the symbol 'SWP'. The Company's head office is located at 7750 Beedie Way, Delta, British Columbia, V4G 0A5, Canada.

Swiss Water is primarily involved in the decaffeination of green coffee without the use of chemicals by employing the proprietary SWISS WATER® Process. The Company leverages science-based systems and quality controls to produce coffee that is 99.9% caffeine free.

Swiss Water owns all of the interests of Seaforth Supply Chain Solutions Inc. ("Seaforth"), which is incorporated under CBCA and operates in Delta, British Columbia, Canada; Swiss Water Decaffeinated Coffee Company USA, Inc. ("SWUS"), an entity registered in Washington State, USA, and; Swiss Water Decaffeinated Coffee Europe SARL ("SWEU"), an entity registered in Bordeaux, France.

Seaforth provides a complete range of green coffee handling and storage services, while SWUS and SWEU act as marketing and sales companies and do not have significant assets.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRS's, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the former Standing Interpretations Committee ("SIC").

These consolidated financial statements for the year ended December 31, 2024, were approved for issuance by the Company's Directors on March 11, 2025. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization, except as disclosed in Note 27.

2.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is based on the fair value of the consideration given in exchange for assets.

2.2 Currency of presentation

These consolidated financial statements are presented in Canadian dollars. Except for per share amounts, all amounts are expressed in thousands of Canadian dollars, unless otherwise stated. References to US$ are to United States dollars.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable, or convertible, are considered when assessing whether the Company controls another entity. All intercompany transactions, balances, income, and expenses are eliminated on consolidation.

3.2 New and amended 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 the Company did not have a material impact on its consolidated financial statements.

- *IFRS 16 Leases* has amended guidance over accounting for lease liability in a sale and leaseback transaction.
- *IAS 1 Presentation of financial statements* 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.
- *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.

3.3 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2025. The Company is assessing the impacts to the consolidated financial statements:

- *IFRS 7 Financial instruments disclosure*, in *tandem with IFRS 9 Financial instruments,* provides amendments to the classification and measurements of financial instruments, gains and loss on derecognition of financial instruments (including derecognition of lease liabilities and transaction price). The standards also clarify the dates of the initial recognition and derecognition of financial assets, and they clarify the initial measurement of financial instruments when the fair value at initial recognition differs from the transaction price. IFRS 7 further provides guidance on implementing disclosure of deferred differences between fair value and transaction price and credit risk disclosure. In addition, these standards address contracts that reference nature-dependent electricity. The effective date for these amendments is for annual reporting periods beginning on or after 1 January 2026, however, earlier application is permitted.
- *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 accounting for a subsidiary when a *parent* company loses control of the subsidiary. The standards also clarify the determination of a 'De Facto Agent' when assessing control and provide other annual improvements to the standard. IAS 28 amended equity method procedures. The amendments' effective date is January 1, 2026, early adoption is permitted.

- *IAS 7 Statement of cash flows* amended paragraph 37 to clarify investments in subsidiaries, associates, and joint ventures. Amendments are applicable for annual *reporting* periods beginning on or after 1 January 2026. Earlier application is permitted.
- *IFRS 18 Presentation and disclosure in the financial statements,* is a new standard issued by IASB in April 2024. The new Standard is applicable for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.
- *IFRS 19 Subsidiaries without public accountability: disclosures* is a new standard issued by IASB in May 2024. The new Standard is applicable for annual reporting periods beginning on or after 1 January 2027. Earlier application 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. The amendments' effective date is January 1, 2025, early adoption is permitted.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, the Chief Executive Officer, and the Chief Financial Officer. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment reflects the provision of products or services within a particular economic environment that is subject to risks and returns that are different from those of other economic environments. The Company's sales are primarily generated in a single business segment of decaffeination of green coffee beans. The chief operating decision makers examine the Company's performance and operating activities of the single business segment from a reported geographic perspective.

3.5 Foreign currency translation

Functional and presentation currency

Items included in these consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The functional and presentation currency of Swiss Water and Seaforth is the Canadian dollar. The functional currencies of the USA and the European subsidiaries are the United States dollar and the Euro, respectively.

Foreign currency transactions

Foreign currency transactions and balances are translated into the respective functional currency as follows: (i) monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date; (ii) non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; (iii) non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined; and (iv) foreign currency transactions are translated into the functional currency of the entity at the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses are recognized in net income and presented in the consolidated statement of income (loss) in accordance with the nature of the transactions to which the foreign currency gains and losses relate, in the period in which they occur.

Foreign operations

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation as follows: (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position; (ii) income and expenses for each statement of income and (loss) are translated at a quarterly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); (iii) share capital for each statement of financial position presented are translated at historical rate; and (iv) all resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments. Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

3.7 Inventories

Raw materials are stated at the lower of cost, determined on a specific identification basis, and net realizable value, being the estimated selling price of finished goods less the estimated cost of completion of the finished goods.

Finished goods are stated at the lower of cost and net realizable value. The cost of finished goods includes all expenses directly attributable to the manufacturing process like direct labour and direct materials, as well as suitable portions of related fixed and variable production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8 Property, plant and equipment

The Company leases facilities that house its buildings, equipment, production facilities, offices and warehouse facilities. Property, plant and equipment are carried at acquisition cost or manufacturing cost less depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment. Acquisition costs and manufacturing costs may also include share-based compensation from restricted stock units and a portion of salaries and benefits directly related to the construction of new qualifying assets, costs related to interest on the lease liability, and depreciation of right-of-use assets relating to leased properties during the construction phase, interest on capitalized borrowing costs incurred during the period of time that is required to complete and prepare the asset for its intended use, asset retirement obligations and transfers from the equity of any gains or losses on qualifying cash flow hedges of foreign currency related to purchases of property, plant and equipment.

Additions to property, plant and equipment are recognized in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are recognized in the consolidated statement of income (loss) during the financial period in which they are incurred.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The costs related to the property, plant and equipment in the course of construction are classified as construction-in-progress. Such items are transferred to the appropriate category of property, plant and equipment when they are completed and ready for use as intended. Depreciation of these assets commences when the asset is available for use.

Depreciation is recognized on a straight-line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life commencing when the asset is ready for its intended use. The estimated useful lives of property, plant and equipment are as follows:

Right-of-use assets	to the expiry of the lease renewal option or lease term
Leasehold improvements	to the expiry of the lease renewal option or lease term
Building	to the expiry of the lease renewal option or lease term
Machinery and equipment	5 to 35 years
Computer equipment	5 years
Furniture and fixtures	5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income (loss).

For additional policies related to right-of-use assets, refer to 'lease liabilities and right-of-use assets'.

3.9 Intangible assets

Proprietary process technology ("PPT")

PPT represents intangible assets of Swiss Water with a finite life and is carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis to allocate the cost of PPT to its residual value over its estimated useful life of 14 years. As of December 31, 2023, PPT was fully amortized.

Brand

Swiss Water's brand has a finite useful life and is carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis over its estimated useful life of 14 years. As of December 31, 2023, the Company's brand assets were fully amortized.

3.10 Impairment of assets

Property, plant and equipment, and intangible assets with finite lives, that are subject to depreciation or amortization, are assessed for impairment indicators at the end of each reporting period. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount. The Company has determined that it has one CGU. To determine the recoverable amount, management estimates either the fair value less costs to sell, or the value-in-use based on the present value of expected future cash flows from the CGU. In estimating the value-in-use, management must determine the appropriate discount rate in order to calculate the present value of those cash flows, as well as make certain assumptions about future profits that relate to future events and circumstances. Discount factors are determined individually for each asset, or CGU, and reflect their respective risk profiles as assessed by management.

3.11 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position when the Company becomes a party to the financial instrument or derivative contract. Financial assets and financial liabilities are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Company classifies non-derivative financial assets into one of the following categories:

a) Amortized cost: Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of income (loss). The Company has classified accounts receivable as at amortized cost.

b) Fair value through other comprehensive income ("FVOCI"): Assets that are held for a collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in the net income (loss). When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income (loss) and recognized in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as a separate line item in the consolidated statement of income (loss). The Company does not have any non-derivative financial assets classified as at FVOCI.

c) Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. Gains or losses, including any interest income, are recognized in the net income (loss) and are presented net within other gains in the period in which they arise. The Company has classified cash and cash equivalents and short-term investments as at FVPL.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Non-derivative financial liabilities

Non-derivative financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value with net gains or losses, including any interest income, recognized in net income (loss) and presented within other gains in the period in which it arises. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are not reclassified.

The Company has classified accounts payable and accrued liabilities, borrowings (including credit facilities, the debt portion of the debenture with warrants, and construction loans) as at amortized cost.

Other liabilities related to the cash portion of DSUs and RSUs are recognized initially at fair value and are classified as other financial liabilities and are measured at fair value. Stock based compensation expense is recorded in the consolidated statement of income (loss), as applicable.

Derivative financial assets and liabilities

Derivative financial assets and liabilities pertaining to commodity price risk hedges and currency risk hedges related to US$ denominated purchases are classified as FVPL, while the derivative financial assets and liabilities pertaining to currency risk hedges related to US$ denominated future process revenue are classified as FVOCI. FVPL and FVOCI accounting treatments are described above. A further discussion on designation, recognition, measurement, and re-measurement of derivative financial assets and liabilities is below.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk for the relevant financial asset. The Company's only financial assets at amortized cost are accounts receivable and other receivables, for these the Company applies the simplified approach as permitted by IFRS 9 which requires expected lifetime credit losses to be recognized from the initial recognition of the receivables.

Derivatives and hedging activities

Recognition and measurement

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, and the type of hedge relationship designated. The Company designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges),

b) hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
c) hedges of a net investment in a foreign operation (net investment hedges).

The Company documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedging relationship.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity until the hedged expected future cash flows affect net income (loss); at which time, the gains or losses are reclassified to the consolidated statement of income (loss). The gain or loss relating to the ineffective portion is recognized immediately in net income (loss). When option contracts are used to hedge forecast transactions, the Company designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in the intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options, that relate to the hedged item ('aligned time value'), are recognized within other comprehensive income in the 'derivatives designated as cash flows hedges' within equity.

Commodity and Currency risk hedges

The Company applied hedge accounting to economic hedges entered into in accordance with its Foreign Exchange Risk Management Policy ("FX Policy") and the Commodity Price Risk Management Policy ("Commodity Policy"). Economically, the specific hedging activities carried out under these policies by the Company are as follows.

- The Company designates derivative financial instruments as hedging instruments, and the change in fair value of designated coffee inventory and hedged firm commitments as hedged items in a fair value relationship to manage the risk of changes in benchmark commodity prices, as described under '*Commodity price risk hedges*', below.
- The Company designates derivative financial instruments as hedging instruments and designates highly probable forecasted sales revenue as hedged items in a cash flow hedge relationship to manage the foreign exchange risk associated with the cash flows of highly probable forecast transactions, as described under '*Currency risk hedges related to US$ denominated future process revenue*', below.
- As well, the Company also designates derivative financial instruments as hedging instruments and the change in fair value of designated purchase commitments as hedged items in a fair value hedge relationship to manage the risk of changes in foreign exchange, as described under *'Currency risk hedges related to US$ denominated purchases',* below.

Commodity price risk hedges

Commodity price risk hedges relate to purchase commitments related to coffee inventory ("commodity hedges"). When the Company enters into a purchase commitment to purchase green coffee and fixes the New York 'C' ("NY'C'") price component (which it will later sell at a to-be-determined price based on the NY'C'), the Company enters into an offsetting short position on the Intercontinental Exchange. The

Company monitors, on a macro basis, the amount of purchase commitments and amount of inventory on hand for which the ultimate sale price is variable and has not yet been fixed based on the NY'C' and compares this to the amount of coffee covered by future net short positions to determine whether the net short position requires adjustment.

At each period end, commodity hedges are remeasured to their fair value. Under hedge accounting, the effective portion of the gains (losses) for price fixed hedged coffee contracts and coffee inventory will be held on the consolidated statement of financial position until inventory for such contracts is received and subsequently sold, at which time the gains (losses) will flow to cost of sales on the consolidated statement of income (loss).

Currency risk hedges related to US$ denominated future process revenue:

The Company enters into forward contracts to sell US$ at future dates to hedge the foreign exchange cash flow variability of expected US$ from processing fee revenue. The hedged processing revenue includes both processing fee revenue from tolling arrangements (processing of customer owned coffee) as well as the US$ processing fee layer of inventory sales agreements.

At each period end, currency risk hedges on US$ future revenues are remeasured to their fair value. Under hedge accounting, unrealized gains (losses) for US$ forward contracts are reclassified so that the impact on the consolidated statement of income (loss) is deferred through other comprehensive income until the hedge instrument matures, at which time the realized gain (loss) is reflected in revenue on the consolidated statement of income (loss).

Currency risk hedges related to US$ denominated purchases:

The Company enters into forward contracts to buy US$ for significant purchase commitments denominated in US$. Purchase commitments denominated in US$ include purchases of green coffee inventory which, once decaffeinated, is sold at a fixed Canadian dollar ("C$") price. To mitigate the exposure to changing margins on these transactions arising from fluctuations in the US$/C$ exchange rate, the Company enters into US$ forward purchase contracts which economically lock in the US$/C$ exchange rate and effectively the Company locks in the C$ cost of equipment or inventory (inventory which is to be sold at the fixed C$ amount).

At each period end, currency risk hedges on US$ denominated purchases are remeasured to their fair value and:

a) under hedge accounting, the effective portion of the gains (losses) will be held on the consolidated statement of financial position (in inventory or as a part of derivative assets or derivative liabilities) until the inventory is received and subsequently sold, at which time the gains (losses) will flow to the cost of sales on the consolidated statement of income (loss), as well as
b) under hedge accounting, the effective portion of the gains (losses) will be held on the consolidated statement of financial position (in derivative assets or derivative liabilities) until the equipment is received at which time the gains (losses) will flow to the property, plant and equipment on the consolidated statement of financial position.

On all hedges entered into, if the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedged instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in net income (loss) at the time of the hedge relationship rebalancing.

Fair value hierarchy

The Company classifies and discloses the fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2 – valuation techniques based on inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. The Company classifies a financial instrument to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

3.12 Lease liabilities and right-of-use assets

IFRS 16 - Leases

IFRS 16 requires a single, on-balance sheet accounting model for lessees, with limited exceptions for short-term leases or leases of low-value assets. Lessees recognize a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments.

Management judgement and estimates over leases

The preparation of consolidated financial statements requires that the Company's management makes assumptions and estimates on the classification of leases. Management estimates related to leases are addressed in note 4.

Lease policy

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset. The Company has determined that contracts for its offices, production facility, warehouse facility, and select equipment contain a lease.

At inception or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company presents right-of-use assets in 'property, plant and equipment' and related liabilities in 'lease liabilities' on the consolidated statement of financial position.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options that are available to the Company. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any are identified, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate depends on the term, currency, and start date of the lease and is determined based on a series of inputs including the risk-free rate based on government bond rates; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company.

Lease payments included in the measurement of the lease liability comprise of (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee, and : (iv) the exercise price under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in net income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense when incurred.

The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated statement of income (loss).

On the consolidated statement of cash flows, the Company includes repayments of the principal portion of the lease liabilities under financing activities. The interest portion of the lease continues to be classified within cash flows from operating activities. Lease payments for short-term leases and lease payments for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

3.13 Current and deferred income taxes

Income tax expense or credit comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized either in other comprehensive income or directly in equity. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustments to taxes payable in respect of previous years. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income or loss and does not give rise to equal taxable and deductible temporary differences, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related asset is realized, or the liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which temporary differences and non-capital loss carry forwards can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in net income (loss), except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that it will lead to an outflow of economic resources from the Company and amounts can be estimated reliably, although timing or amount of the outflow may still be uncertain.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date, including the risks and uncertainties associated with the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at the end of each reporting period and adjusted or reversed to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized.

Where discounting has been used, the carrying amount of a provision is accreted during the period to reflect the passage of time.

3.15 Share capital

Common shares

Common shares are classified as equity and are recorded at the value of proceeds received. Issuance costs directly attributable to the issuances of new common shares are deducted against the share capital account. Repurchases are removed from equity and no gain or loss is recognized in the consolidated statement of income (loss) on the issue, sale, purchase, or cancellation of the Company's shares. On share repurchases, any excess between the purchase price and the cost per share is allocated to retained earnings.

Warrants

The Company issues warrants subject to shareholders, regulatory body, and creditor approvals. Each warrant allows the holder to obtain one share of Swiss Water in exchange for cash at a price per share determined at the time the warrants are issued. Each warrant can be exercised at any time and not later than the exercise date of the warrant. The initial fair value of the warrants is measured at the grant date using the Black-Scholes option-pricing model.

When the warrant holder holds a warrant where a fixed amount of shares are issued for a fixed amount of cash, the fair value of the warrants is initially recognized as a component of equity in the consolidated statement of changes in equity and is not remeasured at each period end. If the holder of warrants decides to exercise the warrants, the fair value of the warrants will be de-recognized from the warrants reserve component of the equity and recognized as a part of share capital. No adjustment is made for warrants that expire. Financing transaction costs directly attributed to the issuances of warrants are deducted against the warrant's value.

When a warrant holder holds a warrant where a variable amount of shares are issued for a non-fixed amount of cash such as a cashless option, the fair value of the warrants is initially recognized as a financial liability in the consolidated statement of financial position and is remeasured at each period end. If the holder of warrants decides to exercise the warrants, the fair value of the warrants will be de-recognized from the warrant's financial liability component of the consolidated statement of financial position and recognized as a part of share capital on the consolidated statement of changes in equity. Expired warrants and financing transactions related to financial liabilities are accounted for in accordance with IFRS 9. Refer to accounting policies related to financial liabilities under the section 'Summary of material accounting policies', sub-heading 'Financial instruments'.

As at each period end warrants are tested for potential dilution effect when calculating basic and diluted earnings per share.

Dividends

Dividends to the Company's shareholders are recognized when dividends are approved for payment.

3.16 Share-based compensation

The Company has a restricted share unit ("RSU") plan for certain officers and employees and a deferred share unit ("DSU") plan for non-employee directors (collectively, "participants").

The RSUs granted are expected to be settled using a combination of cash and equity.

The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU plan. The fair value determined at the grant date is charged to net income (loss) on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares, with a corresponding increase in equity (share-based compensation reserve). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates. On the vesting date, the Company revises the estimate to equal the number of equity instruments that are ultimately vested. The impact of the revision of estimates, if any, is recognized in the net income (loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

For cash-settled share-based compensation, a liability is recognized, measured initially at the fair value of the liability using a volume weighted average share price. The amount of the liability is charged to net income (loss) on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be settled in cash. As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates. On the vesting date, the Company revises the estimate to equal the number of RSUs that ultimately vested and are settled in cash. The impact of the revision of estimates, if any, is recognized in the net income (loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the long-term liability or current liability depends on the timing when the liability becomes due. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured using a volume weighted average share price, with any change in fair value recognized in the net income (loss).

DSUs are issued to participants who elect to defer a portion of their current compensation in exchange for DSUs. DSUs are classified as cash-settled share-based payment transactions as participants receive cash following a redemption. The DSUs do not contain any vesting conditions or forfeiture provisions, as they are issued in exchange for deferred compensation. The Company recognizes the expense and the liability to pay for the eventual redemption when the DSUs are issued. Thereafter, the Company remeasures the liability at the end of each reporting date and the date of settlement, with the difference recognized in the net income (loss) for the period. The fair value of DSUs is determined in accordance with the DSU Plan, which uses the average closing price for Swiss Water shares for the five trading days immediately preceding the relevant date.

3.17 Revenue recognition

IFRS 15 requires revenue recognition to follow a five-step model of identifying contracts, separating performance obligations, determining and allocating the transaction price, and recognizing the revenue as each performance obligation is satisfied.

The Company's primary sources of revenue are proceeds from sales of Swiss Water's decaffeinated coffee, services provided to decaffeinate customers' owned coffee, and distribution services.

Swiss Water's revenue is measured based on the consideration agreed upon in contracts with customers and is recognized when the Company transfers control over products and services to the customer either at a point in time or over time.

For all revenue contracts, no significant judgements are made with respect to evaluating the timing of satisfaction of performance obligations, transaction prices, and amounts allocated to performance obligations. Consideration amounts are not variable. Warranty, returns, or refunds do not apply to the Company.

Payment terms are typically between 30 and 60 days, apart from select customers where payment terms are extended. For contracts with extended payment terms, the Company charges customers a financing component, recognized separately in 'finance income' on the consolidated statement of income (loss). As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component when the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue is disaggregated based on the customer's geographic region as described in the segmented reporting accounting policy. Also, the revenue, from contracts with customers, is disaggregated by major products and services: decaffeinated coffee sales, decaffeination services, and distribution services.

Decaffeinated coffee sales

Decaffeinated coffee sales are the amounts that are charged to customers for the sale of decaffeinated coffee. The performance obligation is satisfied at a point in time when a customer obtains control of the product, which is when decaffeinated coffee is picked up by or delivered to the customer.

Decaffeination services

Decaffeination services represent the amount charged to customers for the service of decaffeinating customer-owned coffee. The performance obligation is to provide the service, which is satisfied over time.

Distribution services

Distribution services revenue consists of shipping, handling, and warehousing charges billed to customers. The performance obligation is satisfied over time as services are provided, which is at the same time as these services are consumed.

3.18 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. These liabilities are presented in accounts payable and accrued liabilities on the consolidated statement of financial position.

The Company provides benefits to employees through a registered retirement savings plan ("RRSP"). The Company contributes a percentage of earnings into an RRSP administered by an independent entity. Ultimately, each employee manages his or her own RRSP within the scope of the plan provided by the third-party administrator. The RRSP has no assurance of defined benefits to employees, and as such the Company has no legal or constructive obligations to make further contributions.

The Company also pays contributions to government pension insurance plans. The contributions are recognized as employee benefit expenses when they are due.

3.19 Earning per share ("EPS")

The Company presents basic and diluted EPS for its common shares. Basic EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

3.20 Related party transactions

Balances and transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation. For related party transactions incurred during the periods covered in these consolidated financial statements, the disclosure includes the nature of a related party relationship, information about transactions as well as outstanding balances, including commitments.

4. MANAGEMENT JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgement is used by management in selecting accounting policies, the determination of functional currency, the identification of CGUs, and the identification of revenue streams. In addition, judgement is often required in applying accounting policies, and with respect to items where the choice of a specific policy, accounting estimate, or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and accordingly, provides an explanation of each below. Actual results could differ from those estimates and assumptions.

4.1 Useful lives of depreciable assets

Change in accounting estimates.

At the end of 2022, the Company reduced the estimated useful life of its production line machinery and equipment at the Burnaby location from 10 years to the expiry of the lease term, in June 2023. This change in accounting estimate was accounted for prospectively, in 2023, and resulted from the decision to cease the two production lines in Burnaby, BC, when the Company exited the lease in June 2023. The impact of this change in 2022 was de minimis.

In 2023, the depreciation of the abovementioned assets in Burnaby was adjusted to allocate the assets' revised carrying amount on a systematic basis over their remaining useful lives. Approximately $3.0 million of those assets were fully amortized by June 2023 while $1.3 million of the salvaged assets were repurposed and put into use in 2024 and continue to be amortized prospectively.

4.2 Provision for asset retirement obligations

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

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

4.3 Income taxes

The Company computes 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 the Company's 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. The Company has 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 the non-capital loss carry forwards can be utilized.

The financial reporting bases of the Company's 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.

4.4 Leases and right-of-use assets

The preparation of consolidated financial statements requires that the Company's management makes assumptions and estimates related to leases and right-of-use assets. When assessing the recognition of a lease and right-of-use assets, 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 discount rate/implicit borrowing rate, the assessment of the likelihood of exercising options, and estimation of the fair value of the leased property at lease inception.

4.5 Debenture with warrants

At initial recognition, in the calculation of the fair value of the liability portion of the debenture with warrants, management 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. Management estimates 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.

5. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and indebtedness. In order to maintain or adjust the capital structure, the Company may from time-to-time issue common shares, preferred shares, issue additional debt, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

The Company manages its capital in order to meet its growth objectives and payments of quarterly dividends to its shareholders. The dividend policy of Swiss Water is subject to the discretion of the Board of Directors, which reviews the level of dividends periodically on the basis of a number of factors including Swiss Water's financial performance, future prospects, and the capital requirements of the business.

6. CASH AND CASH EQUIVALENTS

Cash includes cash held with banks and financial institutions. As at December 31, 2024, the Company has invested nil into thirty (30) day cashable Guaranteed Investment Certificates ("GICs") with a financial services firm (2023: $6.0 million at rates between 4.95% and 5.05%).

7. ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. Information about the Company's exposure to foreign currency risk, interest rate risk, and credit risk can be found in the note 'Financial risk management'. The Company monitors lifetime expected credit losses using the simplified approach which is determined based on historic and adjusted relevant forward-looking information. The Company's customers have a negligible default rate and the Company's experience both in frequency and amount of losses are not significant. As a result, the expected credit losses provision as at December 31, 2024 is $0.2 million (2023: $0.1 million).

8. INVENTORIES

During the year ended December 31, 2024, the cost of inventories recognized in cost of sales was $139.9 million (2023: $137.0 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period. As at December 31, 2024, the inventory provision was $0.1 million (2023: $0.8 million). During the year ended December 31, 2024, cost of sales includes a $0.6 million recovery related to the inventory provision (2023: $0.6 million expense).

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

Inventories consist of the following:

	December 31, 2024	December 31, 2023
Raw materials	$ 14,227	$ 18,500
Finished goods	21,380	10,347
Carbon	439	472
Packaging	549	243
Hedge accounting component	7,899	776
	$ 44,494	$ 30,338

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments, carried at fair value through profit or loss, are as follows:

		December 31, 2024	December 31, 2023
Net coffee futures contracts		$ 4,508	$ 1,273
Net US dollar forward contracts, current		290	(200)
Borrowings embedded option	Note 13.2	(2,332)	(1,353)
		$ 2,466	$ (280)

The Company's derivative financial instruments, carried at fair value through other comprehensive income are as follows:

	December 31, 2024	December 31, 2023
Net US dollar forward contracts, current	$ (1,983)	$ 8
Net US dollar forward contracts, long-term	(1,225)	591
	$ (3,208)	$ 599

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise owned and leased right-of-use assets.

	December 31, 2024	December 31, 2023
Property, plant and equipment	$ 115,512	$ 120,116
Right-of-use assets	13,811	15,620
	$ 129,323	$ 135,736

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

10.1 Property, plant and equipment

The carrying value of property, plant and equipment is as follows:

	Machinery and equipment	Building	Leasehold improvement	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost							
January 1, 2024	$ 108,311	$ 18,159	$ 7,235	$ 677	$ 171	$ 80	$ 134,633
Additions	96	-	-	-	-	906	1,002
ARO remeasurement	-	-	(356)	-	-	-	(356)
Transfers	731	-	-	55	7	(793)	-
December 31, 2024	$ 109,138	$ 18,159	$ 6,879	$ 732	$ 178	$ 193	$ 135,279
Accumulated depreciation							
January 1, 2024	$ (10,735)	$ (2,699)	$ (575)	$ (392)	$ (116)	$ -	$ (14,517)
Depreciation	(3,563)	(1,107)	(448)	(107)	(25)	-	(5,250)
December 31, 2024	$ (14,298)	$ (3,806)	$ (1,023)	$ (499)	$ (141)	$ -	$ (19,767)
December 31, 2024	$ 94,840	$ 14,353	$ 5,856	$ 233	$ 37	$ 193	$ 115,512

	Machinery and equipment	Building	Leasehold improvement	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost							
January 1, 2023	$ 83,069	$ 13,880	$ 11,915	$ 1,224	$ 280	$ 41,779	$ 152,147
Additions	5	-	916	-	10	15,268	16,199
Disposals	(27,065)	-	(5,846)	(683)	(119)	-	(33,713)
Transfers	52,302	4,279	250	136	-	(56,967)	-
December 31, 2023	$ 108,311	$ 18,159	$ 7,235	$ 677	$ 171	$ 80	$ 134,633
Accumulated depreciation							
January 1, 2023	$ (32,787)	$ (1,889)	$ (5,583)	$ (983)	$ (211)	$ -	$ (41,453)
Depreciation	(5,013)	(810)	(838)	(92)	(24)	-	(6,777)
Disposals	27,065	-	5,846	683	119	-	33,713
December 31, 2023	$ (10,735)	$ (2,699)	$ (575)	$ (392)	$ (116)	$ -	$ (14,517)
December 31, 2023	$ 97,576	$ 15,460	$ 6,660	$ 285	$ 55	$ 80	$ 120,116

During the year ended December 31, 2024, depreciation expense of $5.0 million (2023: $6.6 million) was charged to cost of sales and $0.2 million (2023: $0.2 million) was included in administrative expenses. In addition, $0.3 million of allocated depreciation was transferred from cost of sales to inventory (2023: $0.3 million transferred from inventory to cost of sales).

In 2024, the Company recognized remeasurement reductions in leasehold improvements in the amount of $0.4 million for asset retirement obligations related to the production facility in Delta (2023: $0.9 million remeasurement additions). Refer to Note 17 for more details on asset retirement obligations.

Plant and equipment in Delta BC

During the year ended December 31, 2023, the Company added $15.3 million of additions to construction in progress during the construction of its second production line in Delta. Additions to construction in progress include $1.3 million of capitalized interest on construction loans (with an interest rate ranging between 4.38%

and 7.69%), $0.3 million of salaries and benefits directly related to the construction, and $0.4 million of share-based compensation also directly related to the completion of constructed assets in Delta. During the year ended December 31, 2024, $0.1 million of share-based compensation directly related to the construction was added to plant and equipment.

Effective September 1, 2023, Swiss Water completed the construction of this second production line and commenced producing commercial-grade chemical free decaffeinated coffee. As such, the Company transferred a total of $57.0 million of costs from construction in progress to machinery and equipment and started depreciating over its useful life ranging between 10 and 35 years.

During the year ended December 31, 2023, the Company received $0.4 million in cash from vendors for reimbursements related to the construction of its production lines in Delta. These proceeds were recorded as a reduction in plant and equipment. There were no such reimbursements in 2024.

In 2023, the Company salvaged $1.3 million in assets from the production facility in Burnaby. These assets were repurposed at the Delta location and put to use during the year ended December 31, 2024, where they are depreciated over their remaining useful lives.

Plant and equipment at legacy location in Burnaby BC

Effective January 1, 2023, the Company reduced the estimated useful life of the non-salvaged assets located at its 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. As such, during the year ended December 31, 2023, these non-salvaged assets were fully depreciated and an expense of 3.0 million is reflected within the $6.8 million total depreciation expense. The financial impact of the change in estimate was an incremental depreciation expense of $2.5 million for the year ended December 31, 2023. There was no such change in estimate during the year ended December 31, 2024.

During the year ended December 31, 2023, the Company disposed of $33.7 million of fully depreciated non-salvaged plant and equipment which was located at the production facility in Burnaby. The net effect of the removal of asset cost and accumulated depreciation was nil as the assets were fully depreciated by the time the assets were decommissioned. There were no such disposals during the year ended December 31, 2024.

10.2 Right-of-use assets

For the year ended December 31, 2024, right-of-use assets depreciation expense of $1.6 million (2023: $1.7 million) was charged to cost of sales and $0.2 million (2023: $0.2 million) was included in administrative expenses.

During the year ended December 31, 2024, a lease for a printer expired. The Company disposed of the equipment lease and the net effect of the removal of asset cost and accumulated depreciation was nil.

During the year ended December 31, 2024, the Company entered a new lease for a printer and recognized $0.02 million in new right-of-use assets.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

Related lease obligations are disclosed in note Lease Liabilities. The carrying value of right-of-use assets is as follows:

	Equipment	Property	Total
Cost			
Balance at January 1, 2024	$ 243	$ 24,144	$ 24,387
Additions	16	-	16
Disposals	(15)	-	(15)
Balance at December 31, 2024	$ 244	$ 24,144	$ 24,388
Accumulated depreciation			
Balance at January 1, 2024	$ (98)	$ (8,658)	$ (8,756)
Depreciation	(49)	(1,777)	(1,826)
Disposals	15	-	15
Balance at December 31, 2024	$ (132)	$ (10,435)	$ (10,567)
Foreign exchange	-	(10)	(10)
Balance at December 31, 2024	$ 112	$ 13,699	$ 13,811

	Equipment	Property	Total
Cost			
Balance at January 1, 2023	$ 207	$ 25,571	$ 25,778
Additions	146	-	146
Remeasurement	-	12	12
Disposals	(110)	(1,439)	(1,549)
Balance at December 31, 2023	$ 243	$ 24,144	$ 24,387
Accumulated depreciation			
Balance at January 1, 2023	$ (160)	$ (8,178)	$ (8,338)
Depreciation	(48)	(1,919)	(1,967)
Disposals	110	1,439	1,549
Balance at December 31, 2023	$ (98)	$ (8,658)	$ (8,756)
Foreign exchange	-	(11)	(11)
Balance at December 31, 2023	$ 145	$ 15,475	$ 15,620

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

11. INTANGIBLE ASSETS

For the year ended December 31, 2024, amortization expense of nil (2023: $0.1 million) relating to PPT was charged to cost of sales and nil (2023: $0.01 million) relating to brand was included in administrative expenses. As of December 31, 2024 and 2023, PPT and brand were fully amortized.

		PPT		Brand		Total
Cost						
Balance January 1, 2024	$	3,246	$	1,000	$	4,246
Balance December 31, 2024	$	3,246	$	1,000	$	4,246
Accumulated amortization						
Balance January 1, 2024	$	(3,246)	$	(1,000)	$	(4,246)
Balance December 31, 2024	$	(3,246)	$	(1,000)	$	(4,246)
Balance at December 31, 2024	$	-	$	-	$	-

		PPT		Brand		Total
Cost						
Balance January 1, 2023	$	3,246	$	1,000	$	4,246
Balance December 31, 2023	$	3,246	$	1,000	$	4,246
Accumulated amortization						
Balance January 1, 2023	$	(3,142)	$	(994)	$	(4,136)
Amortization		(104)		(6)		(110)
Balance December 31, 2023	$	(3,246)	$	(1,000)	$	(4,246)
Balance at December 31, 2023	$	-	$	-	$	-

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		December 31, 2024		December 31, 2023
Accounts payable	$	24,838	$	11,458
Accrued liabilities		4,152		3,731
Income tax payable		54		-
	$	29,044	$	15,189

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

13. BORROWINGS

As at and during the years ended December 31, 2024 and 2023, the Company was in compliance with all banks' and creditor's covenants. The Company's borrowings are as follows:

		December 31, 2024	December 31, 2023
Construction loans with BDC and FCC	Note 13.1	$ 56,839	$ 56,824
Debenture with warrants with MRC	Note 13.2	-	14,631
Credit facility	Note 13.3	35,398	26,728
Borrowings with EDC	Note 13.4	6,304	-
Borrowings, total		$ 98,541	$ 98,183
Less current portion			
Construction loans with BDC and FCC	Note 13.1	(5,614)	(2,748)
Debenture with warrants with MRC	Note 13.2	-	(14,631)
Credit facility	Note 13.3	(35,398)	-
Borrowings with EDC	Note 13.4	(6,304)	-
Borrowings, current		$ (47,316)	$ (17,379)
Borrowings, non-current		$ 51,225	$ 80,804

13.1 Construction loans with BDC and FCC

As of December 31, 2024 and 2023, the construction loans' balances due to BDC and FCC are as follows:

	December 31, 2024	December 31, 2023
Current portion		
Construction loans interest, current	$ 250	$ 288
Construction loan with BDC, current, fixed 4.45%	2,369	1,125
Construction loan with FCC, current, variable 7.22% (2023: 7.5%)	1,494	631
Construction loan with FCC, current, fixed 4.38%	869	404
Construction loan with BDC, current, variable 7.36% (2023: 7.69%)	632	300
	$ 5,614	$ 2,748
Long term portion		
Construction loan with BDC, non-current, fixed 4.45%	20,131	21,375
Construction loan with FCC, non-current, variable 7.22% (2023: 7.5%)	17,006	17,869
Construction loan with FCC, non-current, fixed 4.38%	9,131	9,596
Construction loan with BDC, non-current, variable 7.36% (2023: 7.69%)	5,368	5,700
Financing transaction costs	(411)	(464)
	$ 56,839	$ 56,824

13.1 (i) BDC/FCC - Agreements and financing transaction cost

In 2018, the Company 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 is to assist in the financing of new equipment for the first production line built in Delta, BC. The interest rate for the Term Loan was 4.95% per annum over 12 years. Principal repayments were to commence on July 1, 2021 until the Term Loan maturity date of June 1, 2033.

In 2021, the Company completed a financing transaction by increasing the existing term loan to $45.0 million to fund the planned construction of a second production line at the Delta location. The financing was provided by BDC and Farm Credit Canada ("FCC") in a pari passu structure. Each lender would fund 50% of the $45.0 million total loan value. The existing borrowing capacity with BDC increased from $20.0 million to $22.5 million ("BDC Amended Term Loan") and FCC would also fund $22.5 million ("FCC Term Loan"). Upon closing of the transaction, the Company's outstanding debt to each party, FCC and BDC, was $10.0 million each where the fixed interest rates were 4.38% and 4.45%, respectively. FCC paid $10.0 million to BDC on the Company's behalf to ensure that existing borrowings were restructured on a pari passu basis.

In 2022, as the Company continued constructing its second production line in Delta, BC, the Company entered into an amendment (the "Amended Senior Facility") to the existing senior debt facilities with BDC and FCC. Both lenders agreed to provide the Company with up to an additional $12.0 million, in total, of senior debt financing, at variable rates, funded equally between lenders.

Only interest was to be paid on the outstanding balances monthly prior to July 1, 2024, for both the BDC Amended Term Loan and the FCC Term Loan. Monthly principal repayments for both loans were to commence on July 1, 2024 and were to continue until both loans mature on June 1, 2034. Effective June 2024, pursuant to an amendment, interest-only payments continued 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 Loans consist of a fixed term and a variable loan, where, until maturity, the fixed term loan bears an interest rate of 4.38% and the variable loan bears an interest rate of the variable personal property rate minus 0.75%. The BDC Term Loans consist of a fixed term and a variable loan, where, until maturity, the fixed term loan bears an interest rate of 4.45%, while the variable loan bears an interest rate of the variable BDC floating rate minus 1.5%.

The Company incurred financing transaction costs associated with the above loans. These costs are recorded in non-current borrowings and amortized until the loan maturity date. As at December 31, 2024, deferred financing transaction costs were $0.4 million (2023: $0.5 million).

13.1 (ii) BDC/FCC - Borrowing capacity

In 2022, the Company's borrowing capacity with BDC and FCC increased from $45.0 million to $57.0 million with the purpose of funding the construction of the second production line, in Delta, BC. The construction loans were fully utilized, at their capacity of $57.0 million, upon completion of the project in September 2023.

13.1 (iii) BDC/FCC - Finance expense and interest paid

For both lenders, interest is based on the outstanding loan balance and is paid monthly. Interest incurred on the BDC and FCC loans was $3.2 million, of which, the Company paid $3.3 million during the year ended December

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

31, 2024 (2023: $3.0 million and $2.9 million). Of the amount incurred, a total of $3.3 million was expensed and nil was capitalized (2023: $1.7 million and $1.3 million). The year to date BDC and FCC variable rate loan effective interest rates were 7.36% and 7.22% respectively (2023: 7.69% and 7.50%). The finance costs and the effective interest rates are based on the average balance drawn on each loan.

For the years ended December 31, 2024 and 2023 loan additions, interest charged, and interest paid were as follows:

	December 31, 2024	December 31, 2023
Balance, open	$ 56,824	$ 44,131
Additions	-	12,542
Interest charged	3,225	3,032
Interest paid	(3,263)	(2,935)
Less amortization of financing transaction costs	53	54
Balance, end	$ 56,839	$ 56,824

13.1 (v) BDC/FCC - Security

The construction 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 construction loans for both BDC and FCC. Seaforth provided a guarantee for construction loans to both BDC and FCC.

13.2 Debenture with warrants with MRC

The debenture with warrants consists of the principal amount due to Mill Road Capital LLC ("MRC"), a related party, and accrued interest, net of an unamortized bond discount. The debenture with warrants was repaid in full on October 31, 2024. The total repayment of $15.9 million consisted of $15.0 million of principal and $0.9 million of accrued interest. Following this payment, all obligations, duties and responsibilities of the parties to the debenture were terminated. The maturity of the debenture did not affect the obligations of the Company or the rights of MRC under their existing warrant agreement. As at December 31, 2024 and 2023, the debenture with warrants was as follows:

	December 31, 2024	December 31, 2023
Principal amount due to MRC, 9%+1.5%	$ 15,000	$ 15,000
Unamortized bond discount	-	(929)
Accrued interest	878	560
	$ 15,878	$ 14,631
Principal and interest repayment	(15,878)	-
	$ -	$ 14,631

13.2 (i) MRC – Agreements and financing transaction cost

In 2016, the Company issued an unsecured subordinated convertible debenture to MRC for gross proceeds of $15.0 million. The convertible debenture maturity date was October 11, 2023. The Company paid financing transaction costs in the amount of $0.5 million in respect of issuing the convertible debenture. Until the debt extinguishment on July 20, 2021, the Company used the residual value method to allocate the fair value of the convertible debenture between the liability component and the derivative liability.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

In 2021, Swiss Water amended the convertible debenture agreement with MRC to a 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. The other amended terms were: (i) the interest rate increased from a maximum of 7.85% to 9%, (ii) a 1.5% additional interest in kind was added, and (iii) the debt to shares conversion feature was amended. 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 MRC to purchase up to 2.25 million common shares at a price of $3.33 per share. The warrants expire on October 31, 2024. This amendment was accounted for as an extinguishment of debt and a new debenture with warrants was established. The Company incurred financing transaction cost of $0.2 million associated with the amendment in 2021.

In 2022, Swiss Water amended the debenture with warrants agreement to (i) expand on the Senior Debt restricted covenant, where select liabilities are considered; (ii) allow Swiss Water a right to prepay the principal, and (iii) add security on the debenture. 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 warrant 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 MRC 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. This amendment was accounted for as an extinguishment of debt and a new debenture with warrants was established.

13.2 (ii) MRC – Finance expense and interest paid

The debenture with warrants interest rate is 9% per annum, paid quarterly in arrears. The 9% is subject to reaching a specific covenant threshold, in excess of this, the interest rate increases to 12.5% per annum. The Company also incurs an additional 1.5% interest in kind, which accrues quarterly and is due at the maturity date. For the year ended December 31, 2024 and 2023, interest expensed and paid, and principal, on debt due to MRC was as follows:

	December 31, 2024	December 31, 2023
Balance, open	$ 14,631	$ 13,477
Interest charged on debenture with warrants	2,296	2,541
Interest paid on debenture with warrants	(1,927)	(1,387)
Principal paid	(15,000)	-
Balance, end	$ -	$ 14,631

13.2 (iii) MRC – Embedded option within the debenture with warrants

In 2022, the debenture with warrants was amended contain an embedded option, where if MRC were to elect, it would result in fewer than the maximum of 2.25 million of common shares being issued upon the exercise of the warrants. This embedded option is a financial liability revaluated at each reporting date. As at December 31, 2024, the Company determined the fair value of the embedded option to be $2.3 million (2023: $1.4 million). For the year ended December 31, 2024, this revaluation resulted in a loss of $1.0 million (2023: gain of $0.1 million).

The fair value of the embedded option was determined using the Black-Scholes option pricing model. The variables and assumptions used in computing the fair value are based on management's best estimate.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

The inputs to the Black-Scholes option pricing model are as follows:

	December 31, 2024	December 31, 2023
Share price	$ 3.92	$ 2.78
Exercise price	$ 3.33	$ 3.33
Option life	1.33 years	2.33 years
Volatility	38%	42%
Risk-free interest rate	2.92%	3.91%
Dividend yield	0.00%	0.00%
Fair value of embedded option	$ 2,332	$ 1,353

13.2 (iv) MRC – Security

In 2022, the debenture with warrants was secured by a secondary general security agreement, after primary lenders ranking senior to MRC for the construction loans and credit facility, over all Swiss Water present and newly acquired personal property and proceeds. Prior to this, the debenture with warrants was unsecured. Following the repayment on October 31, 2024, all obligations, duties and responsibilities of the parties to the debenture were terminated.

13.3 Credit Facility with a Canadian Bank

As at December 31, 2024 and 2023, the Credit Facility due to a Canadian Bank comprises:

	December 31, 2024	December 31, 2023
Credit facility - Bank, with an effective interest rate of 6.9% (2023: 6.94%)	$ 35,407	$ 26,858
Less unamortized financing transaction costs	(9)	(130)
	$ 35,398	$ 26,728

13.3 (i) Credit Facility - Agreements and financing transaction cost

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

In 2022, the 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 lending provided additional lending of up to $6.25 million credit facility through Export Development Canada (“EDC”), as discussed below. The maturity date of October 18, 2022, was extended to the earlier of October 19, 2025 or an event triggering default. The Company is not required to repay any balance outstanding until maturity, as long as the outstanding balance is not in excess of the Borrowing Base.

The Company incurred deferred financing transaction cost associated with the above loan. These costs are recorded in non-current borrowings and amortized until the loan maturity date. As at December 31, 2024 deferred financing transaction cost were $0.01 million (2023: $0.1 million).

13.3 (ii) Credit Facility - Finance expense and interest paid

The Credit Facility has multiple interest rate options that are based on the Canadian Prime Rate, Base Rate, LIBO Rate, Bankers’ Acceptance Rate plus an acceptance fee, in addition to an applicable margin for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the Credit Facility. The year to date Credit Facility variable rate loan effective interest rate was 6.90% (2023: 6.94%).

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

For the year ended December 31, 2024 and 2023 loan advances, repayments, and fees and interest charged were as follows:

	December 31, 2024	December 31, 2023
Balance, open	$ 26,728	$ 38,146
Advances	10,425	3,400
Repayments	(3,750)	(17,500)
Fees and interest charged	1,874	2,544
Amortized financing transaction costs	121	138
Balance, end	$ 35,398	$ 26,728

13.3 (iii) Credit Facility - Security

The Company has pledged substantially all of its assets, except for assets pledged to BDC and FCC, as collateral for the Credit Facility, including a first priority security interest over all inventory, accounts receivable, excess margin and gains on the commodity hedging account, gains in the foreign exchange contract facility and other assets of the Company.

13.3 (iv) Credit Facility - Borrowing base

The Credit Facility's Borrowing Base margins the Company's eligible inventories and accounts receivable, commodity hedging account equity margin plus its mark-to-market gains, which are netted against any losses in the commodity hedging 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, and for general corporate purposes.

As at December 31, 2024 and 2023, the Company's borrowing availability is as follows:

	December 31, 2024	December 31, 2023
Gross borrowing base availability	$ 39,619	$ 28,912
Advances, repayments, fees and interest from inception	(35,407)	(26,858)
Outstanding letter of credit and security lien bond	(537)	(537)
Interests and fees accrued	163	180
	$ 3,838	$ 1,697

13.3 (v) Credit Facility - Foreign exchange and commodity futures contract facilities

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

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

13.4 Credit Facility with EDC ("EDC Credit")

As at December 31, 2024, $6.3 million was drawn on the EDC Credit (2023: nil)

13.4 (i) EDC Credit - Agreements

In 2022, the Company 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 the Company's operations, should it be needed. The lender of the above-mentioned 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. The EDC Credit facility will terminate on the earliest of: (i) demand by the lender of the Credit Facility for repayment, (ii) the third anniversary of the effective date of November 22, 2025, and (iii) the maturity date under the Credit Facility. The lender of the Credit Facility 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.

13.4 (ii) Credit Facility - Finance expense and interest paid

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 year to date EDC Credit variable rate loan effective interest rate was 7.39% (2023: not applicable).

For the year ended December 31, 2024 and 2023 loan advances, repayments, and fees and interest charged were as follows:

	December 31, 2024	December 31, 2023
Balance, open	$ -	$ n/a
Advances	6,250	n/a
Fees and interest charged	54	n/a
Balance, end	$ 6,304	$ -

13.5 Foreign exchange facility guarantee with EDC

On June 1, 2020, the Company entered into a foreign exchange facility guarantee with EDC to cover margin requirements in relation to the foreign exchange contract facility. On August 4, 2020, the Company's Credit Facility lender amended the Credit Facility to recognize the foreign exchange facility guarantee provided by EDC. 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 abovementioned Credit Facility with a Canadian Bank.

14. INCOME TAXES

14.1 Income tax recovery and expense

Swiss Water has $60.0 million non-capital tax losses carry forward, in Canada, as of the end of December 31, 2024, which will begin to expire in 2039. Of the $60.0 million non-capital tax losses carry forward, $2.4 million does not expire.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

For the year ended December 31, 2024, tax recovery on other comprehensive income related to hedging activities was $1.1 million (2023: $0.4 million tax expense). The current and deferred income tax expense (recovery) is as follows:

	December 31, 2024	December 31, 2023
Current income tax expense (recovery)	$ 61	$ (92)
Deferred tax expense	981	88
Income tax expense (recovery)	$ 1,042	$ (4)

14.2 Income tax receivable and income tax payable

As at December 31, 2024 income tax payable in the amount of $0.1 million is included in accounts payable and accrued liabilities, whilst, as at December 31, 2023, income tax receivable was $0.2 million and it is presented on the consolidated statement of financial position.

14.3 Reconciliation

Income tax expense for the year can be reconciled to the accounting profit as follows:

	December 31, 2024	December 31, 2023
Statutory rate	27%	27%
(Loss) Income before tax	$ 2,311	$ (532)
Income tax calculated at applicable tax rates	$ 624	$ (141)
Non-deductible expenses	421	142
Foreign tax rate differential	(3)	(5)
Income tax expense (recovery)	$ 1,042	$ (4)

14.4 Deferred income tax assets (liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

The movement in deferred income tax assets and liabilities during the year was as follows:

	Goodwill and intangibles	Property plant and equipment	Financing issuance costs and other	ARO	Lease Liability	Share based compen-sation	Derivatives liability and convertible debenture	Debenture with warrants	Other compre-hensive income	Tax Losses	Total
Balance at January 1, 2023	$ 703	$ (18,623)	$ 331	$ 1,128	$ 5,380	$ 207	$ 770	$ (114)	$ 256	$ 5,343	$ (4,619)
To income tax expense	(24)	(13,205)	273	(92)	(414)	119	(466)	228	-	13,493	(88)
To equity	-	-	-	-	-	-	-	-	(433)	-	(433)
Balance at December 31, 2023	**$ 679**	**$ (31,828)**	**$ 604**	**$ 1,036**	**$ 4,966**	**$ 326**	**$ 304**	**$ 114**	**$ (177)**	**$ 18,836**	**$ (5,140)**
Balance at January 1, 2024	$ 679	$ (31,828)	$ 604	$ 1,036	$ 4,966	$ 326	$ 304	$ 114	$ (177)	$ 18,836	$ (5,140)
To income tax expense	(47)	885	325	(67)	(450)	72	1,199	516	-	(3,404)	(971)
To equity	-	-	-	-	-	-	-	-	1,043	-	1,043
Balance at December 31, 2024	**$ 632**	**$ (30,943)**	**$ 929**	**$ 969**	**$ 4,516**	**$ 398**	**$ 1,503**	**$ 630**	**$ 866**	**$ 15,432**	**$ (5,068)**

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

15. OTHER LIABILITIES

Other liabilities balances represent the fair value of the deferred share units ("DSUs") and the cash-settled portion of the restricted share units ("RSUs"), and are outstanding as follows:

	December 31, 2024	December 31, 2023
Other liabilities, current	$ 1,289	$ 1,141
Other liabilities, non-current	186	64
	$ 1,475	$ 1,205

16. LEASE LIABILITIES

16.1 Lease liabilities

Lease liabilities are as follows:

	December 31, 2024	December 31, 2023
Lease liabilities, current	$ 1,781	$ 1,681
Lease liabilities, non-current	14,948	16,712
	$ 16,729	$ 18,393

The Company leases the following. Right of use assets related to these leases are disclosed in the note Property, plant and equipment.

- Swiss Water leases a build-to-suit production facility in Delta. The lease can be renewed at the Company's option in five-year increments up to a total of 30 years. The lease commenced in July 2018. Under the lease, the Company has multiple options to buy out the lease starting at the end of the second five-year term. The buy-out value will be determined through an appraisal process, aligning with the fair market value of the property, subject to a specified maximum value of $27.0 million and a minimum value of $24.0 million agreed upon in the lease contract. In 2022, the Company exercised its first lease renewal option, which will expire in July 2028.
- During the year ended December 31, 2023, the property lease for the production facility in Burnaby expired and the Company returned the leased property to the landlord. Refer to Note 10 for additional information related to the expiry of this lease.
- Seaforth leases a warehouse in Delta and the lease expires in June 2027. The Company has two options to renew the lease for an additional term of five years each.
- During the year ended December 31, 2024, a lease for a printer expired and the Company entered a new lease for a printer, which will expire in October 2028. The total value of lease liabilities added was $0.02 million.
- Swiss Water leases various office equipment with an expiry date of January 2025.
- SWEU leases a sales office in France which expires in October 2027.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

16.2 Amounts recognized in the consolidated statement of income (loss) and the consolidated statement of cash flows

From the total of lease cash payments, the portion relating to finance expense is recognized in the operating activities while the principal portion of lease payments is recognized in the financing component on the consolidated statement of cash flows.

The amounts recognized in the consolidated statement of income (loss) and consolidated statement of cash flows are as follows:

	December 31, 2024	December 31, 2023
Balance, open	$ 18,393	$ 19,927
Additions	15	146
Remeasurement	-	8
Terminations	(3)	(7)
Finance expense	877	955
Lease cash payments	(2,559)	(2,638)
Foreign exchange	6	2
Balance, end	$ 16,729	$ 18,393

16.3 Minimum lease payments

As at December 31, 2024, the minimum payments under lease liabilities are as follows:

	December 31, 2024
No later than 1 year	$ 2,573
Later than 1 year and no later than 5 years	5,327
Later than 5 years	-
	$ 7,900

17. ASSET RETIREMENT OBLIGATION ("ARO")

The Company estimates that the total undiscounted amount of cash flows required to settle its ARO is approximately $5.7 million, all of which is allocated to the Delta location. As at December 31, 2024, the Company recorded a total of $3.6 million (2023: $3.8 million), reflecting the present value of the ARO using a risk-free rate of 3.35% (2023: 3.06%)

In June 2023, the lease for the Burnaby location concluded and the property was fully restored and returned to the landlord, as per contractual terms. Of the estimated $1.5 million ARO for the Burnaby location, the actual aggregate cost and payments, made during 2022 and 2023, were $1.3 million. The remainder of Burnaby's ARO balance was written off to other gains. During the year ended December 31, 2023, the Company recognized, in the consolidated statement of income (loss), other gains totaling $0.2 million, which is the unused portion of the ARO for the Burnaby location.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

During the years ended December 31, 2024 and 2023, ARO transactions were as follows:

	December 31, 2024	December 31, 2023
Balance, open	$ 3,839	$ 4,180
Remeasurement recognized in property, plant and equipment	(356)	905
Accretion	104	103
Remeasurement recognized in other gains	-	(175)
Payments	-	(1,174)
Balance, end	$ 3,587	$ 3,839

18. SHARE CAPITAL

18.1 Common shares

Swiss Water is authorized to issue an unlimited number of common shares without par value. Each share is equally eligible to receive dividends when declared and represents one vote at meetings of shareholders.

As at December 31, 2024, there were 9,517,552 common shares issued and outstanding (2023: 9,212,955).

18.2 Preferred 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 December 31, 2024, there were nil preferred shares issued and outstanding (2023: nil).

18.3 Warrants

In 2021, the Company issued 2.25 million warrants to MRC. Each warrant was exercisable for one common share at a price of $3.33, expiring on October 31, 2024. The warrant's initial value was recorded as a component of equity and subsequently was not remeasured.

In 2022, the debenture with warrants agreement was amended to (i) extend the maturity date of the warrants from October 31, 2024, to April 30, 2026, and (ii) provide for a cashless exercise whereby MRC 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. There was no change to the number of shares issuable under the agreement or the exercise price of the warrants. As the agreement now allows for a cashless option for a variable number of shares, the warrants were reclassified from equity to financial liability. Refer to Note 13.2(iii) for further details.

As at December 31, 2024 and 2023 these 2.25 million warrants continue to be issued and outstanding with an exercise price of $3.33, maturing on April 30, 2026. As at December 31, 2024, the remaining weighted average life of warrants is 1.33 years (2023: 2.33 years).

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

18.4 Restricted share units

The Company has an RSU plan that allows it to grant RSUs to officers, employees, and consultants of Swiss Water or its subsidiaries. The RSU plan is administered by the Board of Directors, which sets the terms of incentive awards under the RSU plan. On May 9, 2022, Swiss Water shareholders approved an increase in the number of common shares available for issuance under the RSU plan. The increase was from a maximum of 815,509 common shares to a maximum of 1,115,509 common shares. All RSU grants vest on the third anniversary of issuance provided the grant recipient is still employed by Swiss Water or one of its subsidiaries as at the date of vesting. Grants are forfeited if a recipient is no longer employed by Swiss Water or one of its subsidiaries. Upon vesting, each RSU converts to one common share. These grants allow participants to receive up to 50% of the market value of the award in cash (instead of shares) upon vesting, in order to facilitate payment of taxes owing on the awards. Any RSUs paid in cash are returned to the pool and may be re-issued, subject to the maximum number of common shares available under RSU.

Periodically, the Company grants RSUs, some of which are performance RSUs, and others are non-performance RSUs. Both non-performance and performance RSUs vest over time on the third anniversary of their grant. Performance based RSUs are subject to meeting additional performance objectives specified by the Board of Directors.

Each award is increased by the value of dividends paid to shareholders during the vesting period, using a formula that uses the higher of the then-current share price and $3.20. The Company values the RSUs using the volume based weighted average share price ("VWAP"). VWAP is based on the Canadian dollar trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately preceding that relevant date, calculated by dividing the total value by the total volume of common shares traded, according to the RSU plan. The movement in RSUs was as follows:

	Number of RSUs		Volume based weighted average share price	Average remaining vesting period in years	Performance based
Balance at January 1, 2023	**574,741**	**$**	**2.55**	**1.11**	
RSUs granted	95,000	$	2.48	2.12	No
RSUs granted - performance	158,300	$	2.42	0.21	Yes
RSUs cash-settled	(64,001)	$	2.69	-	No
RSUs equity-settled	(47,140)	$	2.95	-	No
Balance at December 31, 2023	**716,900**	**$**	**2.19**	**0.54**	
Balance at January 1, 2024	**716,900**	**$**	**2.19**	**0.54**	
RSUs granted	149,277	$	3.43	2.24	No
RSUs granted - performance	59,777	$	3.43	2.24	Yes
RSUs cash-settled	(47,000)	$	3.53	-	No
RSUs cash-settled - performance	(108,578)	$	2.95	-	Yes
RSUs equity-settled	(57,000)	$	3.05	-	No
RSUs equity-settled - performance	(247,597)	$	2.88	-	Yes
RSUs forfeited	(3,500)	$	2.68	-	No
RSUs forfeited - performance	(118,725)	$	2.88	-	Yes
Balance at December 31, 2024	**343,554**	**$**	**3.30**	**1.65**	

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

18.5 Deferred share units

The Company has a DSU plan in order to issue DSUs to participants of Swiss Water. The DSU plan was adopted to allow participants the opportunity to defer compensation and encourage a sense of ownership in Swiss Water. Under the DSU plan, participants may elect to defer compensation and receive DSUs equal to the value of the deferred compensation.

The first DSUs were issued in April 2012. The number of DSUs was determined by dividing the amount of deferred compensation by the fair market value ("FMV"). The FMV of DSUs is defined in the DSU plan as the weighted average closing price of Swiss Water shares for the five business days immediately preceding the relevant date.

Upon the occurrence of a redemption event, the affected participant will be entitled to receive a lump sum cash payment, net of applicable withholding taxes, equal to the product of the number of DSUs held by that participant and the FMV on the date of the redemption event. The DSUs do not contain any vesting conditions or forfeiture provisions, as they are issued in exchange for deferred compensation.

Under the DSU plan, outstanding DSUs as at the record date are increased by the dividend whenever dividends are paid to shareholders. The movement in DSUs was as follows:

	Number of DSUs		Weighted average share price	Performance based
Balance at January 1, 2023	**185,451**	**$**	**2.31**	
DSUs issued	81,330	$	2.66	No
DSUs redeemed	(32,120)	$	2.76	No
Balance at December 31, 2023	**234,661**	**$**	**2.78**	
Balance at January 1, 2024	**234,661**	**$**	**2.78**	
DSUs issued	72,048	$	3.29	No
Balance at December 31, 2024	**306,709**	**$**	**3.91**	

19. REVENUE

The following are disaggregation of revenue and contract balances related to contracts with customers. Details on contracts with customers, disaggregation, judgements, performance obligations, transaction price, and timing of satisfaction of performance obligation are outlined in the accounting policies under 'Revenue recognition'. Related credit risk and customer concentration are discussed in the note on 'Financial risk management', under 'Credit risk'.

19.1 Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 24 under segment reporting. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution services with the following results for the years ended December 31, 2024 and 2023 as follows:

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

	December 31, 2024	December 31, 2023
Decaffeinated coffee sales	$ 151,326	$ 144,118
Decaffeination services	10,285	10,138
Distribution services	11,518	12,021
	$ 173,129	$ 166,277

19.2 Contract balances

As at December 31, 2024, the accounts receivable balance of $23.3 million (2023: $19.1 million) consists of amounts due from customer contracts and reflects the Company's right to a consideration that is unconditional. Provision for expected credit loss included in accounts receivable balance as at December 31, 2024 was $0.2 million (2023: $0.1 million).

As at December 31, 2024, $0.4 million of deferred revenue, related to cash received in advance of deliveries, was included in accrued liabilities (2023: nil). During both years ended December 31, 2024 and 2023 there were no significant changes in the contract assets and contract liabilities balances. The Company did not have other contract assets or liabilities from contracts with customers.

20. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	December 31, 2024	December 31, 2023
Short-term benefits	$ 13,583	$ 12,353
Long-term benefits	1,277	597
Post-employment benefits	1,314	1,185
	$ 16,174	$ 14,135

Short-term benefits comprise salaries, accrued bonuses, benefits, and director fees. Long-term benefits comprise share-based compensation under the RSU plan and the DSU plan.

Post-employment benefits are contributions to employee retirement accounts, as well as statutory remittances related to post-employment benefits. These are recognized as an expense when employees have rendered service entitling them to the contributions.

21. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, key management personnel, and a company related to a director. Details of transactions between the Company and related parties (other than its subsidiaries identified in note 1, 'Nature of Business') are discussed below. All intercompany transactions, balances, income, and expenses are eliminated on consolidation.

21.1 Compensation of key management personnel

During the year ended December 31, 2024, there was no RSU key management personnel remuneration that was directly related to the construction of Delta equipment added to the property, plant and equipment (2023:

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

$0.4 million). The remuneration of directors and key management personnel included in the consolidated statement of income (loss) for the years ended December 31, 2024 and 2023 was as follows:

		December 31, 2024		December 31, 2023
Short-term benefits	$	2,401	$	2,150
Long-term benefits		1,007		443
Post-employment benefits		276		280
	$	3,684	$	2,873

21.2 Trading transactions

During the year, the Company entered into the following transactions with a company that is related to a director of the Company:

		December 31, 2024		December 31, 2023
Sales	$	785	$	1,078
Purchases of raw materials	$	9,348	$	6,705

As at December 31, 2024, the Company had the following balances receivable from and payable to a company that is related to a director:

		December 31, 2024		December 31, 2023
Accounts receivable	$	17	$	5
Accounts payable	$	841	$	1,074

These transactions were in the normal course of operations and were measured at the fair value of the consideration or receivable, which was established and agreed to by both parties.

21.3 Employee Loans

On October 26, 2021, the Company and a member of key management entered into a promissory note in the amount of $0.07 million. For as long as the borrower remains an employee, the obligation to repay the principal is forgiven against current and future awards under the RSU plan, by forfeiture of awards. The loan is interest free other than in the event of default, in which case the promissory note would bear simple interest at a rate of 10% per annum. As at December 31, 2024, the loan balance of $0.01 million was included in prepaid expenses and other receivables (2023: $0.01 million was included in non-current assets, deposits and other receivables).

21.4 Debenture with warrants

MRC is a shareholder of Swiss Water, and under the terms of the debenture with warrants agreement, MRC added their designate to Swiss Water's Board of Directors. As a holder of the debenture with warrants, MRC has the right to exercise the warrants and obtain an additional 2.25 million shares of Swiss Water. As such, MRC is considered a related party. Refer to the note on 'Borrowings' under the subheading 'MRC – Debenture with warrants with MRC' for this related party disclosure.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

22. BASIC AND DILUTED EARNINGS PER SHARE

The Company presents basic and diluted EPS for its common shares. Basic EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of RSUs and warrants, if dilutive. 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 loss per share are the same.

Basic and dilutive earnings per share are as follows:

	December 31, 2024	December 31, 2023
Basic and diluted income (loss) per share		
Net income (loss) and diluted net income (loss) attributable to shareholders	$ 1,269	$ (528)
Weighted average number of shares, basic and diluted	9,440,696	9,206,368
Basic and diluted income (loss) per share	$ 0.13	$ (0.06)

Potential common shares are anti-dilutive when their conversion to common shares increases earnings per share or decreases loss per share from continuing operations. Anti-dilutive potential common shares are excluded from the weighted average number of shares outstanding for the purposes of calculating the diluted earnings per share. The following potential common shares are anti-dilutive in one or more periods and are therefore excluded from the weighted average number of common shares outstanding for the purposes of calculating the diluted earnings per share:

	December 31, 2024	December 31, 2023
Weighted average number of RSUs outstanding	418,690	668,232
Weighted average number of Warrants issued and outstanding	2,250,000	2,250,000

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

23. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Changes in non-cash working capital are as follows:

	December 31, 2024	December 31, 2023
Accounts receivable	$ (4,258)	$ 1,772
Inventories	(6,100)	37,213
Other assets and liabilities	(630)	(197)
Prepaid expenses and other receivables	131	196
Accounts payable and accrued liabilities	13,844	(13,612)
Payments for asset retirement obligation	-	(1,174)
Derivative assets, liabilities and hedged firm commitments at fair value through profit and loss	(14,251)	(5,725)
	$ (11,264)	$ 18,473

Cash and non-cash transactions recognized within operating activities are as follows:

- During the year ended December 31, 2024, Swiss Water paid $0.5 million in cash to settle RSUs and no cash to settle DSUs (2023: $0.1 million and $0.1 million).
- During the year ended December 31, 2024, Swiss Water made no payments related to the asset retirement obligation to restore its legacy Burnaby leased property while during the year ended December 31, 2023, Swiss Water paid $1.2 million related to asset retirement obligation to restore its legacy Burnaby leased property.
- During the year ended December 31, 2023, the Company recognized a $0.2 million non-cash gain on remeasurement of asset retirement obligation related to the Burnaby property. This was a non-cash item affecting changes in non-cash working capital within operating activities. There was no such remeasurement in 2024.
- During the year ended December 31, 2024 and 2023, lease payments for short-term leases and leases of low value, which are not included in the measurement of the lease liability are classified as cash flows from operating activities.

Cash and non-cash transactions affecting operating and investing activities are as follows:

- As at December 31, 2024, $0.3 million of depreciation on manufacturing equipment was allocated from cost of sales to inventory (2023: from inventory to cost of sales $0.3 million). This is a non-cash item within operating and investing activities.
- As at December 31, 2024, $0.1 million of additions to property, plant and equipment were recorded in accounts payable and accrued liabilities (2023: $0.2 million). These transactions did not require the use of the Company’s cash.
- During the year ended December 31, 2024, no cash interest payments on construction loans were added to property, plant and equipment (2023: $1.3 million).

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

- During the year ended December 31, 2024, $0.4 million of non-cash asset retirement obligation for the Delta leased property was removed from property, plant and equipment (2023: addition of $0.9 million).

Cash and non-cash transactions affecting operating and financing activities are as follows:

- During the year ended December 31, 2024 the Company paid no transaction costs related to financing activities (2023: $0.4 million)
- During the year ended December 31, 2024 and 2023, the Company has classified the interest portion of lease payments within operating activities and the principal portion within financing activities.

Other cash and non-cash transactions:

- During the year ended December 31, 2023, $0.4 million in cash was received from a utility company for installing energy saving machinery and the Company recognized this refund within the property, plant and equipment. These transactions are a part of investing activities. There were no such transactions in 2024.
- During the year ended December 31, 2024, the Company capitalized $0.1 million (2023: $0.4 million) of share-based compensation to property, plant and equipment. This is a non-cash item within financing and investing activities.
- During the year ended December 31, 2024, Swiss Water entered leases in the amount of $0.02 million for right-of-use assets that were added to leased liabilities (2023: $0.2 million). These non-cash items affect financing and investing activities.

24. SEGMENT REPORTING

The Company's sales are primarily generated by the decaffeination of the green coffee segment and in three geographic areas: Canada, the United States, and other international markets. The Company's revenue from external customers and its non-current assets (excluding deferred tax assets), by location, are detailed below.

24.1 Non-current assets (excluding deferred taxes)

Non-current assets, excluding deferred taxes, are in the following geographic segments:

	December 31, 2024	December 31, 2023
Canada	$ 129,401	$ 136,424
United States	3	12
Europe	76	99
	$ 129,480	$ 136,535

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

24.2 Revenue

Revenue is primarily generated from a single business segment of decaffeination of green coffee beans. Management examines revenue from the sale of coffee and services provided to customers who are located in the following geographic regions:

	December 31, 2024	December 31, 2023
Canada	$ 42,469	$ 48,086
United States	84,792	83,642
International and other	45,868	34,549
	$ 173,129	$ 166,277

25. FINANCIAL RISK MANAGEMENT

The Company's risk management program focuses on the unpredictability of commodity prices and foreign exchange rates and seeks to minimize potential adverse effects on the Company's financial performance and cash flows. The Company uses derivative financial instruments to hedge these risk exposures. In addition, the Company monitors other financial risks on a regular basis.

Risk management is carried out under policies approved by the Board of Directors. The Company's exposure to and management of financial risks is discussed in more detail below.

25.1 Commodity price risk hedges on purchase commitments and inventory

Commodity price risk is the risk that the fair value of inventory will fluctuate as a result of changes in commodity prices. The Company utilizes futures contracts to manage its commodity price exposure. The Company buys and sells futures contracts for coffee on the Intercontinental Exchange in order to offset its inventory position and fix the input cost of green coffee.

As at December 31, 2024, the Company had futures contracts to buy 6.5 million lbs of green coffee with a notional value of US$20.4 million, and contracts to sell 17.0 million lbs of green coffee with a notional value of US$53.6 million. The furthest contract matures in March 2026 (2023: buy 9.3 million lbs of green coffee with a notional value of US$17.1 million, and contracts to sell 13.8 million lbs 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 $0.2 million to the income (loss) before tax, and vice versa (2023: $0.1 million gain).

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

The following tables provide a summary of commodity hedges designated as hedging instruments:

Carrying amount of hedging instruments	**December 31, 2024**	**December 31, 2023**
Fair value hedge	Commodity price risk Coffee futures	Commodity price risk Coffee futures
Nominal amount of hedging instruments (in US$'000)	$ 33,197	$ 8,396
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	$ 4,508	$ 1,273
Changes in fair value used for calculating hedge ineffectiveness	-	-

Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	**December 31, 2024**	**December 31, 2023**
Fair value hedge	Purchase commitments and coffee inventory	Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)	10,566	4,489
Line items in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	$ 13,348	$ 1,226
Liabilities	1,656	569
Changes in fair value used for calculating hedge ineffectiveness	-	-

25.2 Foreign exchange currency risk hedges

The Company realizes a significant portion of its revenues in US$ and purchases green coffee in US$ which is, in some cases, sold to customers in Canadian dollars. The Company enters into forward foreign currency contracts to manage its exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions. These contracts relate to the Company's future net cash flows in US$ from sales. In addition, the Company enters into forward contracts to buy US$ for coffee that it resells in Canadian dollars.

As at December 31, 2024, the Company had forward currency contracts to buy US$5.1 million and sell US$44.5 million (2023: buy US$9.9 million and sell US$51.3 million) from January 2025 through to August 2027 at various Canadian exchange rates ranging from $1.30 to $1.44. An estimated CAD 1 cent decrease in the value of US$ would have resulted in an estimated gain of $0.3 million to the net income and other comprehensive income before tax, and vice versa (2023: $0.3 million gain).

The following tables provide a summary of amounts related to foreign currency forward contracts designated as hedging instruments. Not included in the tables below are fair value changes for swap and other contracts, as these are not designated hedge instruments.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

Currency risk hedges related to US$ sales

As at December 31, 2024, the Company designated as hedging instruments US$44.5 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue (2023: US$51.3 million).

Carrying amount of hedging instruments		December 31, 2024		December 31, 2023
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US$'000)	$	44,530	$	51,310
Line items in the statement of financial position where hedging instrument is located				
Derivative Assets	$	-	$	864
Derivative Liabilities		3,208		265
Changes in fair value used for calculating hedge ineffectiveness		-		-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items		**December 31, 2024**		**December 31, 2023**
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedged item (in US$'000)	$	44,530	$	51,310
Line items in the statement of financial position where hedged item is located		Accumulated other comprehensive income		Accumulated other comprehensive income
Assets	$	n/a	$	n/a
Liabilities		n/a		n/a
Changes in fair value used for calculating hedge ineffectiveness		-		-
Cashflow hedge reserve		(3,208)		599

Currency risk hedges related to US$ purchases

As at December 31, 2024, the Company designated as hedging instruments US$5.1 million in forward contracts to buy US dollars, which relate to coffee purchases (2023: US$5.8 million).

Carrying amount of hedging instruments		December 31, 2024		December 31, 2023
Fair value hedge		Foreign currency purchase forwards		Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$	5,124	$	5,844
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	294	$	4
Derivative Liabilities		5		157
Changes in fair value used for calculating hedge ineffectiveness		-		-

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	**December 31, 2024**	**December 31, 2023**
Fair value hedge	Firm purchase commitments & inventories	Firm purchase commitments & inventories
Nominal amount of hedged item (in US$'000)	$ 5,124	$ 5,844
Line item in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	$ -	$ 131
Liabilities	313	7
Changes in fair value used for calculating hedge ineffectiveness	-	-

25.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk for cash equivalents and short-term investments is low as they are all made in fixed-rate instruments. The Company does have interest rate risk related to its credit facilities and variable construction loans, where a 1% increase in the Canadian Prime Rate loan, holding all other variables constant, would result in a $0.5 million decrease to income after taxes (2023: $0.4 million decrease). There was no interest rate risk on the debenture with warrants and there is no interest rate risk on fixed construction loans as the interest rates are fixed.

25.4 Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable, deposits and other receivables, and derivative financial instruments.

The Company does not have significant credit risk related to cash and cash equivalents as amounts are held with major financial institutions.

The Company follows a program of credit evaluations of customers. A customer's credit check is performed in advance of providing credit to a customer and by reviewing their external credit ratings and interviewing customers' reputable vendors and then reviewed annually.

For the year ended December 31, 2024, revenues from three major customers of $57.5 million (2023: $58.9 million) represented 33% (2023: 35%) of total revenues for the year. Three major customers represented 37% of total accounts receivable as at December 31, 2024 (2023: 42%).

The Company had 15% of its accounts receivable past due but not impaired as at December 31, 2024 (2023: 14%). Of the past due accounts receivable, 97% are 1-30 days past due (2023: 86%), while 3% are over 31 days past due (2023: 14%).

The Company manages the credit risk related to its derivative financial instruments by entering into such contracts only with high credit quality institutions.

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

25.5 Liquidity risk

Non-derivative financial liabilities carrying amounts and their related contractual cash flows are as follows:

	Carrying Amount December 31, 2024	Contractual Cash Flows < 1 Year	2-3 Years	4-5 Years	Thereafter
Accounts payable	$ 24,838	$ 24,838	$ -	$ -	$ -
Other liabilities	1,475	1,289	186	-	-
Lease liabilities	16,729	2,573	4,569	758	-
Credit facility with a Canadian bank	35,398	35,407	-	-	-
Credit facility with EDC and interest	6,304	6,304	-	-	-
Construction loans and interest	56,839	5,614	12,000	12,000	27,636
Total	$ 141,583	$ 76,025	$ 16,755	$ 12,758	$ 27,636

The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis and its future plans. The Company ensures that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its existing bank indebtedness and additional borrowing capacity. The Company has maintained compliance with its banking covenants and remains able to satisfy its liabilities as they become due.

25.6 Fair value of financial instruments

The Company classifies and discloses the fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 captures the Company's cash and commodity futures.
b) Level 2 captures the Company's foreign exchange forward contracts, derivative financial liabilities, borrowings embedded option, construction loans, credit facilities, and other liabilities.
c) The Company does not have level 3 financial instruments.

Financial instruments that are measured at fair value are categorized as follows. During the year ended December 31, 2024, there were no transfers between level 1 and 2 instruments.

	December 31, 2024	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 8,514	$ 8,514	$ -	$ -
Derivative assets	4,801	4,507	294	-
	$ 13,315	$ 13,021	$ 294	$ -
Financial liabilities				
Derivative liabilities	$ 3,213	$ -	$ 3,213	$ -
Borrowings embedded option	2,332	-	2,332	-
Other liabilities	1,475	-	1,475	-
	$ 7,020	$ -	$ 7,020	$ -

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)

	December 31, 2023	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 11,091	$ 11,091	$ -	$ -
Derivative assets	2,142	1,273	869	-
	$ 13,233	$ 12,364	$ 869	$ -
Financial liabilities				
Derivative liabilities	$ 470	$ -	$ 470	$ -
Borrowings embedded option	1,353	-	1,353	-
Other liabilities	1,205	-	1,205	-
	$ 3,028	$ -	$ 3,028	$ -

The fair value of instruments carried at amortized costs are as follows:

a) Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company has classified accounts receivable as at amortized cost.

b) The Company has classified cash and cash equivalents and short-term investments as at fair value through profit or loss.

c) The Company has classified accounts payable and accrued liabilities, borrowings (including credit facilities, the debt portion of the debenture with warrants, and construction loans) as at amortized cost.

26. COMMITMENTS AND CONTINGENCIES

In addition to lease liabilities, the Company has the following commitments:

The Company has provided a standby letter of credit in the amount of $0.5 million as security for a construction bond. This commitment restricts the available borrowing base draws as highlighted in note 13.3(iv), 'Credit Facility – Borrowing base'.

The Company also has, in the normal course of business, entered into various contracts. As at December 31, 2024, these contracts related to the purchase of green coffee and were in the amount of $82.8 million (2023: $44.9 million). Of these contracts, $82.8 million will become payable within twelve months from December 31, 2024.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. It does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of operations of the Company.

27. SUBSEQUENT EVENT

On February 16, 2025, a total of 52,000 of the outstanding RSUs vested pursuant to the Company's RSU plan. Of the vested RSUs, 27,000 were converted to common shares and the remainder of RSUs were returned to the RSU pool.

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