SWISS WATER DECAFFEINATED COFFEE INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

For the Three Months Ended March 31, 2020

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

	Note	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		$ 4,921	$ 6,739
Accounts receivable	4	12,629	14,588
Inventories	5	21,362	17,872
Prepaid expenses and other receivables		468	679
Income tax receivable		16	14
Derivative assets and hedged firm commitments	6, 20	1,821	1,428
Total current assets		41,217	41,320
Non-current assets			
Receivables	4	227	230
Property, plant and equipment	7	95,657	94,125
Intangible assets		838	904
Deferred tax assets		112	302
Total non-current assets		96,834	95,561
Total assets		$ 138,051	$ 136,881
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		$ 7,872	$ 11,103
Accrued liabilities		6,478	6,573
Dividend payable	13	-	566
Other liabilities	8	437	1,004
Lease liabilities	9	1,584	1,525
Derivative liabilities and hedged firm commitments	6, 20	3,254	1,165
Total current liabilities		19,625	21,936
Non-current liabilities			
Other liabilities	8	45	253
Credit facility	10	8,558	3,182
Construction loan		20,000	20,000
Convertible debenture	11	12,689	12,560
Lease liabilities	9	23,000	23,385
Asset retirement obligation		1,343	1,343
Deferred tax liabilities		1,741	3,179
Derivative liabilities	6,11,20	6,006	2,543
Total non-current liabilities		73,382	66,445
Total liabilities		93,007	88,381
Shareholders' equity			
Share capital	12	$ 43,710	$ 43,591
Retained earnings		6,650	5,202
Accumulated other comprehensive loss		(5,599)	(646)
Share-based compensation reserve		283	353
Total equity		45,044	48,500
Total liabilities and shareholders' equity		$ 138,051	$ 136,881

Commitments (Note 21)

Approved on behalf of the Board

(signed) ***"David Rowntree"***, Director (signed) ***"Frank Dennis"***, Director

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

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Income

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

	Note		3 months ended March 31, 2020		3 months ended March 31, 2019
Revenue	14,18	$	21,817	$	24,170
Cost of sales			(17,611)		(20,626)
Gross profit			4,206		3,544
Operating expenses					
Administration expenses			(999)		(1,721)
Sales and marketing expenses			(1,133)		(836)
Occupancy expenses			(39)		(11)
Total operating expenses			(2,171)		(2,568)
Operating income			2,035		976
Non-operating or other					
(Loss) gain on risk management activities			(282)		533
Gain (loss) on fair value on embedded option	11		1,474		(728)
Finance income			74		154
Finance expense			(568)		(600)
Loss on foreign exchange			(700)		(290)
Total non-operating or other			(2)		(931)
Income before tax			2,033		45
Income tax expense			(585)		(54)
Net income (loss)		$	1,448	$	(9)
Basic earnings per share	17	$	0.16	$	-
Diluted earnings per share	17	$	0.02	$	-

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

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Comprehensive Income and Condensed Consolidated Interim Statements of Changes in Equity

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

Condensed Consolidated Interim Statements of Comprehensive Income

For the	**3 months ended March 31, 2020**	**3 months ended March 31, 2019**
Net income (loss)	$ 1,448	$ (9)
Other comprehensive 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	(6,691)	1,551
Items reclassified to income:		
Realized (gain) loss		
Derivatives designated as cash flow hedges		
- currency risk hedges on US$ future revenue, recognized in revenue	(102)	91
Other comprehensive (loss) income related to hedging activities	(6,793)	1,642
Tax recovery (expense) on other comprehensive income relating to hedging activities	1,834	(443)
Cumulative translation adjustment	6	3
Other comprehensive (loss) income, net of tax	(4,953)	1,202
Net income and other comprehensive income	$ (3,505)	$ 1,193

Condensed Consolidated Interim Statements of Changes in Equity

	Note	Share capital		Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	Total equity
		Shares	**Amount**				
Balance at December 31, 2018		**9,061,210**	**$ 43,591**	**$ 154**	**$ (2,512)**	**$ 4,523**	**$ 45,756**
Share-based compensation		-	-	37	-	-	37
Dividends	13	-	-	-	-	(566)	(566)
Net income and other comprehensive income (loss)		-	-	-	1,202	(9)	1,193
Balance at March 31, 2019		**9,061,210**	**$ 43,591**	**$ 191**	**$ (1,310)**	**$ 3,948**	**$ 46,420**
Balance at December 31, 2019		**9,061,210**	**43,591**	**353**	**(646)**	**5,202**	**48,500**
Shares issued for restricted share units		17,570	119	(119)	-	-	-
Share-based compensation		-	-	49	-	-	49
Net income and other comprehensive income		-	-	-	(4,953)	1,448	(3,505)
Balance at March 31, 2020		**9,078,780**	**$ 43,710**	**$ 283**	**$ (5,599)**	**$ 6,650**	**$ 45,044**

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

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Cash Flows For the

(Tabular amounts are in thousands of Canadian dollars)
(Unaudited)

	Note	3 months ended March 31, 2020	3 months ended March 31, 2019
Operating activities			
Net income		$ 1,448	$ (9)
Items not affecting cash:			
Depreciation and amortization		849	864
Share-based compensation expense		(576)	273
Unrealized (gain) loss on risk management activities		614	(334)
Unrealized loss (gain) on fair value adjustment of embedded option		(1,474)	728
Finance income		(74)	(154)
Finance expense		568	600
Income tax expense		585	54
Other		34	-
		1,974	2,022
Change in non-cash working capital relating to operating activities	19	(3,333)	(2,395)
Net cash used in operations		**(1,359)**	**(373)**
Interest received		74	154
Interest paid	19	(812)	(571)
Income taxes paid		-	(800)
Net cash used in operating activities		**(2,097)**	**(1,590)**
Investing activities			
Additions to plant and equipment		(4,129)	(2,855)
Net cash used in investing activities	19	**(4,129)**	**(2,855)**
Financing activities			
Dividends paid		(566)	(566)
Payment of lease liabilities		(326)	(508)
Proceeds from credit facility		5,300	-
Proceeds from construction loan		-	2,700
Net cash generated from financing activities		**4,408**	**1,626**
Decreasein cash and cash equivalents		(1,818)	(2,819)
Cash and cash equivalents, beginning of the period		6,739	8,336
Cash and cash equivalents, end of the period		$ 4,921	$ 5,517

– The accompanying notes form an integral part of these condensed consolidated interim 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 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3, 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 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 they do not have significant assets.

2. BASIS OF PREPARATION

The Company's condensed consolidated interim financial statements for the period ended March 31, 2020 have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019, except for those policies disclosed below.

These condensed consolidated interim 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 the United States dollars.

These condensed consolidated interim financial statements for the period ended March 31, 2020 were approved for issuance by the Company's Directors on May 4, 2020. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization.

2.1 New and amended standards

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2020. The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- *IFRS 9/ IAS 39* and *IFRS 7* relate to interest benchmark reform and has amendments that provide temporary relief from applying specific hedge accounting requirement to hedging relationships directly affected by IBOR reform and that required certain disclosures; *IAS 1 and IAS 8* redefined materiality; *IFRS* 3 was amended to revise the definition of a business; *Conceptual Framework* replaces the conceptual framework for financial reporting issued by IASB in September 2010.

(Tabular amounts are in thousands of Canadian dollars)

2.2 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2020 and the Company does not anticipate material impact on its financial statements:

- *IAS 1* amendments address the classification of liabilities between current and non-current.

3. 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, 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 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.

4. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2020 and December 31, 2019 are recorded net of expected credit losses of nil. Non-current accounts receivable includes a $0.1 million balance due from a related party (2019: $0.1 million).

		March 31, 2020		December 31, 2019
Accounts receivable	$	12,629	$	14,588
Non-current receivables	$	227	$	230

5. INVENTORIES

During the three months ended March 31, 2020, the cost of inventories recognized in cost of sales was $16.7 million (2019: $19.4 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

		March 31, 2020		December 31, 2019
Raw materials	$	10,565	$	9,081
Finished goods		8,692		6,819
Carbon		557		568
Packaging		231		113
Hedge accounting component		1,317		1,291
	$	21,362	$	17,872

(Tabular amounts are in thousands of Canadian dollars)

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments, asset (liability), were carried at fair value through profit or loss as follows:

		March 31, 2020		December 31, 2019
Coffee futures contracts, net	$	1,237	$	576
US Dollar forward contracts, current		(343)		41
US Dollar forward contracts, long-term		(24)		(37)
Derivative financial liability, convertible debenture		(206)		(1,680)
	$	664	$	(1,100)

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

		March 31, 2020		December 31, 2019
US Dollar forward contracts, current	$	(1,949)	$	(107)
US Dollar forward contracts, long-term		(5,776)		(825)
	$	(7,725)	$	(932)

7. PROPERTY, PLANT AND EQUIPMENT

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

		March 31, 2020		December 31, 2019
Property, plant and equipment	$	72,179	$	70,125
Right-of-use assets		23,478		24,000
	$	95,657	$	94,125

7.1 Property, plant and equipment

Property, plant and equipment increase from the year-end, consisted of of $2.5 million in additions, of which, $2.4 million (2019: $2.4 million) was to construction in progress. For the three months ended March 31, 2020, this increase was offset by depreciation charges of $0.4 million (2019: $0.3 million).

7.2 Right-of-use assets

For the three months ended March 31, 2020, depreciation expense of $0.3 million (2019: $0.4 million) was charged to cost of sales and $0.1 million (2019: $0.02 million) was included in administrative expenses. There was no impairment loss recognized for the three months ended March 31, 2020 (2019: $nil).

(Tabular amounts are in thousands of Canadian dollars)

		Equipment		Property		Total
Cost						
Balance at December 31, 2019	$	110	$	25,814	$	25,924
Additions		82		-		82
Remeasurement	$		$	(77)		(77)
Balance at March 31, 2020	$	192	$	25,737	$	25,929
Accumulated depreciation						
Balance at December 31, 2019	$	(26)	$	(1,898)	$	(1,924)
Depreciation		(9)		(518)		(527)
Balance at March 31, 2020	$	(35)	$	(2,416)	$	(2,451)
Balance at March 31, 2020	$	157	$	23,321	$	23,478

		Equipment		Property		Total
Cost						
Balance at January 1, 2019	$	110	$	19,023	$	19,133
Additions		-		7,788		7,788
Disposals		-		(997)		(997)
Balance at December 31, 2019	$	110	$	25,814	$	25,924
Accumulated depreciation						
Depreciation		(26)		(2,734)		(2,760)
Disposals		-		836		836
Balance at December 31, 2019	$	(26)	$	(1,898)	$	(1,924)
Balance at December 31, 2019	$	84	$	23,916	$	24,000

8. 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”) outstanding as follows:

		March 31, 2020		December 31, 2019
Other liabilities, current	$	437	$	1,004
Other liabilities, non-current		45		253
	$	482	$	1,257

9. LEASE LIABILITIES

Lease liabilities

During Q1 2020 the company obtained a lease for small equipment, which expires in January 2025. Lease liabilities are as follows:

		March 31, 2020		December 31, 2019
Lease liability, current	$	1,584	$	1,525
Lease liability, non-current		23,000		23,385
	$	24,584	$	24,910

(Tabular amounts are in thousands of Canadian dollars)

Amounts recognized in the statement of net income and statement of cash flows

Lease liabilities interest expense recognized in profit and loss and minimum lease payments recognized in the financing component of statement of cash flows are as follows:

	3 months ended March 31, 2020	3 months ended March 31, 2019
Balance, open	$ 24,910	$ -
Initial application of IFRS 16, January 1, 2019	-	19,133
Additions	82	-
Remeasurement	(77)	-
Terminations	(5)	-
Finance expense	307	232
Lease cash payments	(633)	(740)
Balance, end	$ 24,584	$ 18,625

10. CREDIT FACILITIES

Credit Facility

As at March 31, 2020 and December 31, 2019, the Company's borrowing availability was as follows:

	March 31, 2020	December 31, 2019
Gross borrowing base availability	$ 13,902	$ 17,554
Advances, fees and interest	(8,848)	(3,506)
Outstanding letters of credit	(300)	(300)
	$ 4,754	$ 13,748

The Credit Facility is classified in the condensed consolidated interim statement of financial position as a part of non-current liabilities as the Company is not required to repay any balance outstanding until the maturity date of October 18, 2022, as long as the outstanding balance is not in excess of the Borrowing Base. The maturity date can be extended, subject to lenders' approval. Related transaction costs are amortized until the Credit Facility's maturity date. The Credit Facility comprises of:

	March 31, 2020	December 31, 2019
Credit facility	$ 8,848	$ 3,506
Less unamortized transaction costs	(290)	(324)
	$ 8,558	$ 3,182

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.

(Tabular amounts are in thousands of Canadian dollars)

The finance costs and the effective interest rate based on the average balance drawn were as follows:

		3 Months ended March 31, 2020		3 Months ended March 31, 2019
Weighted average daily balance	$	4,051	$	-
Finance costs	$	42		-
Number of days outsanding		90		-
Effective interest rate	%	4.19	%	-

Transactions during the three months period ended March 31, 2020 and during the year 2019 were as follows:

		March 31, 2020		December 31, 2019
Balance, open	$	3,182	$	-
Advances		5,300		3,500
Repayments		-		-
Fees and interest		42		6
Financing transaction costs		-		(341)
Amortized financing transaction costs		34		17
Balance, end	$	8,558	$	3,182

As at and during the three months ended March 31, 2020, the Company was in compliance with all covenants.

11. CONVERTIBLE DEBENTURE

On October 11, 2016, the Company issued an unsecured subordinated convertible debenture for gross proceeds of $15.0 million. The convertible debenture bears interest at a rate of 6.85% per annum to be paid quarterly in arrears and is due on October 11, 2023. The 6.85% interest rate is subject to reaching specific covenant thresholds, in excess of these, the interest rate increases to 7.85% per annum.

		March 31, 2020		December 31, 2019
Balance, open	$	12,560	$	12,082
Interest charged		385		1,506
Interest paid		(256)		(1,028)
Balance, end	$	12,689	$	12,560

The Company uses the residual value method to allocate the fair value of the convertible debenture between the liability component and the derivative liability. Under this method, as at March 31, 2020, the derivative liabilities include the fair value of the derivative liability related to the convertible debenture in the amount of $0.2 million (2019: $1.7 million).

During the three months ended March 31, 2020, this revaluation resulted in a gain of $1.5 million being recorded in the statement of income (2019: loss of $0.7 million).

(Tabular amounts are in thousands of Canadian dollars)

	March 31, 2020	December 31, 2019
Balance, open	$ 1,680	$ 910
Change in fair valuation of derivative embedded option	(1,474)	770
Balance, end	$ 206	$ 1,680

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 management's best estimate. The value varies with different variables of certain subjective assumptions. Inputs into the Black-Scholes Option Pricing Model to determine the fair value of the conversion option were as follows:

	March 31, 2020	December 31, 2019
Share price	$ 2.72	$ 6.92
Exercise price	$ 8.25	$ 8.25
Option life	3.53 years	3.78 years
Volatility	40%	31%
Risk-free interest rate	0.58%	1.68%
Dividend yield	0.00%	3.61%

12. 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 of March 31, 2020, there were 9,078,780 common shares issued and outstanding.

Restricted share units

On June 19, 2019, Swiss Water shareholders approved an increase in the number of common shares available for issuance under the Restricted Share Unit Plan. The increase is from a maximum of 333,760 shares to a maximum of 815,509 shares.

The movement in RSUs was as follows:

	Number of RSUs	Volume based weighted average share price	Average remaining vesting period (years)	Performance based
Balance at January 1, 2019	**122,734**	**$ 5.01**	**1.83**	
RSUs granted	98,000	$ 5.06	2.15	No
RSUs issued for dividends	8,142	$ 6.05	1.30	No
RSUs forfeited	(4,040)	$ 6.32	-	No
Balance at December 31, 2019	**224,836**	**$ 7.07**	**1.40**	

(Tabular amounts are in thousands of Canadian dollars)

	Number of RSUs	Volume based weighted average share price	Average remaining vesting period (years)	Performance based
Balance at January 1, 2020	**224,836**	**$ 7.07**	**1.40**	
RSUs issued for dividends	2,098	$ 6.70	1.42	No
RSUs cash-settled	(23,654)	$ 6.28	-	No
RSUs exercised	(17,570)	$ 6.28	-	No
Balance at March 31, 2020	**185,710**	**$ 2.82**	**1.42**	

Deferred share units

The movement in DSUs was as follows:

	Number of DSUs	Weighted average share price	Performance based
Balance at January 1, 2019	95,239	$ 4.97	
DSUs issued	31,028	$ 5.85	No
Balance at December 31, 2019	**126,267**	**$ 6.92**	
Balance at January 1, 2020	126,267	$ 6.92	
DSUs issued	6,525	$ 7.05	No
Balance at March 31, 2020	**132,792**	**$ 2.72**	

13. DIVIDENDS

There were no dividends declared during the three months ended March 31, 2020 (2019: $0.6 million).

14. REVENUE

Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 18. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results:

	3 months ended March 31, 2020	3 months ended March 31, 2019
Decaffeinated coffee sales	$ 18,874	$ 20,758
Decaffeination services	1,255	1,572
Distribution	1,688	1,840
	$ 21,817	$ 24,170

Contract balances

As at March 31, 2020 the accounts receivable balance of $12.6 million (December 31, 2019: $14.6 million) consists of amounts due from customer contracts and reflects the Company's right to a consideration that is unconditional. The Company did not have other contract assets or liabilities from contracts with customers.

(Tabular amounts are in thousands of Canadian dollars)

15. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	3 months ended March 31, 2020	3 months ended March 31, 2019
Short-term benefits	$ 2,679	$ 2,383
Long-term benefits	(578)	273
Post-employment benefits	303	258
	$ 2,404	$ 2,914

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 these contributions.

16. 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 the Nature of Business note) are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Compensation of Key Management Personnel

The remuneration of directors and key management personnel is as follows:

	3 months ended March 31, 2020	3 months ended March 31, 2019
Short-term benefits	$ 540	$ 616
Long-term benefits	(552)	248
Post-employment benefits	65	25
	$ 53	$ 889

Trading transactions

During the three months ended March 31, 2020 and 2019, the Company entered into the following transactions with a company that is related to a director:

	3 months ended March 31, 2020	3 months ended March 31, 2019
Sales	$ 69	$ 106
Purchases of raw materials	$ 1,260	$ 720

(Tabular amounts are in thousands of Canadian dollars)

As at the balance sheet date, the Company had the following balances receivable from and payable to a company that is related to a director:

		March 31, 2020		December 31, 2019
Accounts receivable	$	9	$	11
Accounts payable	$	338	$	518

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.

17. BASIC AND DILUTED EARNINGS PER SHARE ("EPS")

		3 months ended March 31, 2020		3 months ended March 31, 2019
Basic earnings per share				
Net income attributable to shareholders	$	1,448	$	(9)
Weighted average number of shares		9,068,354		9,061,210
Basic earnings per share	**$**	**0.16**	**$**	**-**
Diluted earnings per share				
Net income attributable to shareholders	$	1,448	$	(9)
Effect of diluted securities: RSUs		(63)		-
Interest on convertible debenture		280		-
Gain on fair value adjustment of embedded option		(1,474)		-
Net income after effect of diluted securities	$	191	$	(9)
Weighted average number of shares - basic		9,068,354		9,061,210
Effect of diluted securities: RSUs		226,611		-
Effect of diluted securities: convertible debenture		1,818,182		-
Weighted average number of shares - diluted		11,113,147		9,061,210
Diluted earnings per share	**$**	**0.02**	**$**	**-**

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 for such periods:

	March 31, 2020	March 31, 2019
Weighted average number of RSUs granted	-	115,889
Convertible debenture	-	1,818,182

18. SEGMENT REPORTING

The Company's sales are primarily generated by the decaffeination of 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 (not including deferred tax assets), by location, are detailed below.

(Tabular amounts are in thousands of Canadian dollars)

Revenue

		3 months ended March 31, 2020		3 months ended March 31, 2019
Canada	$	7,382	$	8,869
United States		10,224		11,493
International and other		4,211		3,808
	$	21,817	$	24,170

Non-Current Assets (excluding deferred tax assets)

		March 31, 2020		December 31, 2019
Canada	$	96,209	$	94,786
United States		297		263
Europe		216		210
	$	96,722	$	95,259

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

		3 months ended March 31, 2020		3 months ended March 31, 2019
Accounts receivable	$	1,959	$	(706)
Inventories		(3,464)		(96)
Other assets and liabilities		(796)		236
Prepaid expenses and other receivables		210		367
Accounts payable and accrued liabilities		(444)		(2,095)
Derivative assets and liabilities and hedged firm commitments at fair value through profit and loss		(798)		(101)
	$	(3,333)	$	(2,395)

Interest paid includes $0.25 million of interest on the construction loan and $0.2 million of interest on lease liabilities which were capitalized during the construction phase of the new facility (2019: $0.1 million and $0.2 million).

For the period ended March 31, 2020 a $5.4 million (2019: $4.6 million) in additions to construction in progress was accrued in accounts payable and accrued liabilities. These are operating and investing transactions that did not require the use of the Company’s cash.

Also, during the period the Company capitalized $0.2 million of depreciation related to right-of-use assets (2019:$ 0.2 million).

Lease payments for a short-term lease not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities.

(Tabular amounts are in thousands of Canadian dollars)

20. 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.

Risks related to COVID-19

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. The impacts on global commerce are expected to be far reaching. This may impact the demand for our products and services in the near term and will impact 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 is discontinued.

20.1 Commodity price risk

Commodity price risk is the risk that the fair value of inventory or future cash flows 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 March 31 2020, the Company had futures contracts to buy 9.8 million lbs of green coffee with a notional value of US $11.7 million, and contracts to sell 16.1 million lbs of green coffee with a notional value of US$19.1 million. The furthest contract matures in May 2021. (December 31, 2019: buy 3.6 million lbs of green coffee with a notional value of US$4.7 million, and contracts to sell 6.6 million lbs of green coffee with a notional value of US$8.3 million).

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

Carrying amount of hedging instruments		**March 31, 2020**		**December 31, 2019**
Fair value hedge		Commodity price risk Coffee futures		Commodity price risk Coffee futures
Nominal amount of hedging instruments (in US$'000)	$	7,395	$	3,665
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	1,237	$	576
Derivative Liabilities		-		-
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	**March 31, 2020**	**December 31, 2019**
Fair value hedge	Purchase commitments and coffee inventory	Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)	6,231	3,031
Line items in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	$ 1,480	$ 1,617
Liabilities	418	730
Changes in fair value used for calculating hedge ineffectiveness	-	-

20.2 Foreign currency risk

The Company realizes a significant portion of its sales 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 March 31, 2020, the Company had forward currency contracts to buy US$1.3 million and sell US$64.0 million (December 31, 2019: buy US$3.8 million and sell US$53.0 million) from April 2020 through to February 2025 at various Canadian exchange rates ranging from $1.2147 to $1.4410.

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

Currency risk hedges on US$ purchases

As at March 31, 2020, the Company designated as hedging instruments US$1.3 million in forward contracts to buy US dollars, which relate to coffee purchases (2019: US$3.8 million).

Carrying amount of hedging instruments	**March 31, 2020**	**December 31, 2019**
Fair value hedge	Foreign currency purchase forwards	Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$ 1,306	$ 3,797
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	$ 147	$ -
Derivative Liabilities	-	140
Changes in fair value used for calculating hedge ineffectiveness	-	-

(Tabular amounts are in thousands of Canadian dollars)

Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	**March 31, 2020**	**December 31, 2019**
Fair value hedge	Firm purchase commitments & inventories	Firm purchase commitments & inventories
Nominal amount of hedged item (in US$'000)	$ 1,306	$ 3,797
Line item in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	-	157
Liabilities	124	-
Changes in fair value used for calculating hedge ineffectiveness	-	-

Currency risk on hedge on US$ future revenue:

As at March 31, 2020, the Company designated as hedging instruments US$47.5 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue, (2019: US$35.9 million).

Carrying amount of hedging instruments	**March 31, 2020**	**December 31, 2019**
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US$'000)	$ 47,514	$ 35,870
Line items in the statement of financial position where hedging instrument is located		
Derivative Assets	-	39
Derivative Liabilities	7,725	971
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	**March 31, 2020**	**December 31, 2019**
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US$'000)	47,514	35,870
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	(7,725)	(932)

20.3 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. The Company believes that interest rate risk is low as all cash equivalents are made in fixed rate instruments. The Company does have some interest rate risk related to its credit facilities. There is no interest rate risk on the convertible debenture and construction loan as the interest rates are fixed.

(Tabular amounts are in thousands of Canadian dollars)

20.4 Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable 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 and limits the amount of credit extended when deemed necessary. For the three months period ended March 31, 2020, revenues from three major customers of $6.9 million (2019: $8.6 million) represented 31% (2019: 35%) of total revenues for the period. Three customers represented 39% of total accounts receivable as at March 31, 2020 (December 31, 2019: 53%).

The Company had 24% of its accounts receivable past due but not impaired as at March 31, 2020 (December 31, 2019: 13%). Of the past due accounts receivable, 92% are 1-30 days past due (December 31, 2019: 92%), while 8% are over 31 days past due (December 31, 2019: 8%).

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

20.5 Liquidity risk

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. Non-derivative financial liabilities are as follows:

	Carrying Amount	Contractual Cash Flows			
	March 31, 2020	2020	2021 to 2022	2023 to 2024	Thereafter
Accounts payable	$ 7,872	$ 7,872	$ -	$ -	$ -
Credit facility	8,848	-	8,848	-	-
Other liabilities	482	437	45	-	-
Lease liabilities	24,584	2,062	5,643	3,449	3,003
Construction loan	20,084	84	2,918	3,333	13,749
Convertible debenture	12,689	-	-	15,000	-
Total	$ 74,559	$ 10,455	$ 17,454	$ 21,782	$ 16,752

20.6 Fair value of financial instruments

Financial instruments that are measured at fair value are categorized as follows. During the period ended March 31, 2020, there were no transfers between level 1 and 2 instruments.

(Tabular amounts are in thousands of Canadian dollars)

	March 31, 2020	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 4,921	$ 4,921	$ -	$ -
Derivative assets	1,674	1,237	437	-
	$ 6,595	$ 6,158	$ 437	$ -
Financial liabilities				
Derivative liabilities	$ 8,735	$ -	$ 8,735	$ -
Credit facility	8,558	-	8,558	-
Construction loan	20,000	-	20,000	-
Other liabilities	482	-	482	-
	$ 37,775	$ -	$ 37,775	$ -
	December 31, 2019	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	$ 6,739	$ 6,739	$ -	$ -
Derivative assets	945	576	369	-
	$ 7,684	$ 7,315	$ 369	$ -
Financial liabilities				
Derivative liabilities	$ 2,978	$ -	$ 2,978	$ -
Credit facility	3,182	-	3,182	-
Construction loan	20,000	-	20,000	-
Other liabilities	1,257	-	1,257	-
	$ 27,417	$ -	$ 27,417	$ -

21. COMMITMENTS

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

The Company has provided a standby letter of credit in the amount of $0.3 million as security to the landlord.

The Company has, in the normal course of business, entered into various contracts. As at March 31, 2020, these contracts related to the purchase of green coffee in the amount of $41.0 million (December 31, 2019: $31.5 million), and natural gas purchase commitments in the amount of $0.4 million (December 31, 2019: $0.5 million), and capital purchases commitments of $1.1 million (December 31, 2019: $2.8 million). $43.0 million of these contracts will become payable within twelve months from March 31, 2020.