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

For the Three and Six Months Ended June 30, 2024 and 2023

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Financial Position as at

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

	Note	June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	4	$ 18,382	$ 11,091
Accounts receivable	5	19,235	19,110
Inventories	6	28,842	30,338
Prepaid expenses and other receivables		745	884
Income tax receivable		81	167
Derivative assets and hedged firm commitments	7, 20	2,107	2,075
Total current assets		69,392	63,665
Non-current assets			
Deposits and other receivables		157	157
Property, plant and equipment	8	132,291	135,736
Deferred tax assets		122	135
Derivative assets	7, 20	34	642
Total non-current assets		132,604	136,670
Total assets		$ 201,996	$ 200,335
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 19,850	$ 15,189
Borrowings	10	18,166	17,379
Other liabilities		991	1,141
Lease liabilities	11	1,714	1,681
Derivative liabilities and hedged firm commitments	7, 20	1,107	988
Total current liabilities		41,828	36,378
Non-current liabilities			
Other liabilities		87	64
Borrowings	10	77,935	80,804
Borrowings embedded option	10.2	2,161	1,353
Lease liabilities	11	15,849	16,712
Asset retirement obligation	12	3,428	3,839
Deferred tax liabilities		5,289	5,275
Derivative liabilities	7, 20	196	51
Total non-current liabilities		104,945	108,098
Total liabilities		146,773	144,476
Shareholders' equity			
Share capital	13	$ 45,189	$ 44,318
Share-based compensation reserve		89	586
Accumulated other comprehensive (loss) income		(608)	449
Retained earnings		10,553	10,506
Total equity		55,223	55,859
Total liabilities and shareholders' equity		$ 201,996	$ 200,335

Commitments (Note 21)

Approved on behalf of the Board: (signed) "***Alan Wallace*** ", 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 (Loss)

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

	Note	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Revenue	14, 18	$ 43,372	$ 43,368	$ 82,102	$ 92,413
Cost of sales		(35,707)	(39,956)	(69,322)	(84,107)
Gross profit		7,665	3,412	12,780	8,306
Operating expenses					
Administration expenses		(2,947)	(2,182)	(5,784)	(4,879)
Sales and marketing expenses		(970)	(1,154)	(1,884)	(1,927)
Total operating expenses		(3,917)	(3,336)	(7,668)	(6,806)
Operating income		3,748	76	5,112	1,500
Non-operating or other					
Gain (loss) on risk management activities		(519)	350	(668)	461
Gain (loss) on fair value of embedded option	10.2	83	860	(808)	(108)
Other gains		-	175	-	175
Finance income		446	426	906	863
Finance expense		(2,293)	(2,075)	(4,581)	(3,912)
Gain (loss) on foreign exchange		206	(38)	586	(122)
Total non-operating or other		(2,077)	(302)	(4,565)	(2,643)
Income (loss) before tax		1,671	(226)	547	(1,143)
Income tax recovery (expense)		(724)	(145)	(500)	71
Net income (loss)		$ 947	$ (371)	$ 47	$ (1,072)
Earnings per share					
Basic earnings (loss) per share	17	$ 0.10	$ (0.04)	$ 0.01	$ (0.12)
Diluted earnings (loss) per share	17	$ 0.07	$ (0.06)	$ 0.01	$ (0.12)

Condensed Consolidated Interim Statements Of Comprehensive Income (Loss) and Condensed Consolidated Interim Statements of Changes in Equity

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

(Unaudited)

Condensed Consolidated Interim Statements Of Comprehensive Income (Loss)

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Net income (loss)	$ 947	$ (371)	$ 47	$ (1,072)
Other comprehensive income (loss) net of tax				
Items that may be subsequently reclassified to income:				
Unrealized gain (loss)				
Derivatives designated as cash flow hedges - currency risk hedges on US$ future revenue	(520)	771	(1,900)	770
Items reclassified to income:				
Realized income recognized in income				
Derivatives designated as cash flow hedges				
- currency risk hedges on US$ future revenue, recognized in revenue	299	140	470	453
Other comprehensive income (loss) related to hedging activities	(221)	911	(1,430)	1,223
Tax recovery (expense) on other comprehensive income (loss) related to hedging activities	60	(246)	386	(330)
Cumulative translation adjustment	(39)	(24)	(13)	(22)
Other comprehensive income (loss) net of tax	(200)	641	(1,057)	871
Net income (loss) and other comprehensive income (loss)	$ 747	$ 270	$ (1,010)	$ (201)

Condensed Consolidated Interim Statements of Changes in Equity

	Note	Share capital: Shares	Share capital: Amount	Warrants	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		-	-	-	241	-	-	241
Net loss and other comprehensive income		-	-	-	-	871	(1,072)	(201)
Balance at June 30, 2023		**9,212,955**	**$ 44,318**	**$ -**	**$ 465**	**$ 174**	**$ 9,962**	**$ 54,919**
Balance at December 31, 2023		**9,212,955**	**$ 44,318**	**$ -**	**$ 586**	**$ 449**	**$ 10,506**	**$ 55,859**
Shares issued for restricted share units	13.4	304,597	871	-	(871)	-	-	-
Share-based compensation		-	-	-	374	-	-	374
Net income and other comprehensive loss		-	-	-	-	(1,057)	47	(1,010)
Balance at June 30, 2024		**9,517,552**	**$ 45,189**	**$ -**	**$ 89**	**$ (608)**	**$ 10,553**	**$ 55,223**

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 June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Operating activities					
Net income (loss)		$ 947	$ (371)	$ 47	$ (1,072)
Items not affecting cash:					
Depreciation and amortization		1,679	2,438	3,395	6,020
Share-based compensation expense		189	(190)	724	303
Unrealized loss (gain) on risk management activities		26	(176)	(12)	(102)
Unrealized loss (gain) on fair value of embedded option	10.2	(83)	(860)	808	108
Other gains		-	(175)	-	(175)
Finance income		(446)	(426)	(906)	(863)
Finance expense		2,293	2,075	4,581	3,912
Income tax expense (recovery)		724	145	500	(71)
Other		(193)	230	(669)	281
		5,136	2,690	8,468	8,341
Change in non-cash working capital relating to operating activities	19	1,183	6,893	5,893	865
Net cash generated from operations		**6,319**	**9,583**	**14,361**	**9,206**
Interest received		543	422	936	719
Interest paid	19	(1,441)	(1,509)	(2,854)	(2,735)
Income taxes paid		-	(206)	-	(206)
Net cash generated from operating activities		**5,421**	**8,290**	**12,443**	**6,984**
Investing activities					
Additions to plant and equipment	19	(221)	(4,656)	(572)	(12,956)
Net cash used in investing activities		**(221)**	**(4,656)**	**(572)**	**(12,956)**
Financing activities					
Payment of lease liabilities		(417)	(434)	(830)	(889)
Proceeds from credit facility		-	800	-	3,400
Repayments of credit facility		-	(6,000)	(3,750)	(6,000)
Proceeds from construction loans		-	4,615	-	10,457
Transaction costs related to debt financing activities	19	-	(67)	-	(419)
Net cash (used in) generated from financing activities		**(417)**	**(1,086)**	**(4,580)**	**6,549**
Increase in cash and cash equivalents		4,783	2,548	7,291	577
Cash and cash equivalents, beginning of the period		13,599	1,790	11,091	3,761
Cash and cash equivalents, end of the period		$ 18,382	$ 4,338	$ 18,382	$ 4,338

Supplemental cash flow information (Note 19)

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

1. THE COMPANY AND ITS OPERATIONS

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

The Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2024 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, 2023.

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, 2023.

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 three and six months ended June 30, 2024, were approved for issuance by the Company's Directors on August 7, 2024. 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, 2024. The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

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

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

2.2 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2025, and the Company does not anticipate a material impact on its financial statements:

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

3. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base 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 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.

4. CASH AND CASH EQUIVALENTS

Cash includes cash held with banks and financial institutions. The Company has invested $11.3 million in thirty (30) day cashable Guaranteed Investment Certificates ("GIC") with a financial services firm, at rates between 4.30% and 5.05% (December 31, 2023: $6.0 million).

5. 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 'Financial risk management' note. 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 in both frequency and amount of losses are not significant. As a result, the expected credit losses provision as at June 30, 2024 was $0.1 million (December 31, 2023: $0.1 million).

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

6. INVENTORIES

During the three and six months ended June 30, 2024, the cost of inventories recognized in cost of sales was $34.6 million and $67.2 million (2023: $38.2 million and $77.8 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each reporting period. As at June 30, 2024, the inventory provision was $0.1 million (December 31, 2023: $0.8 million). During the three and six months ended June 30, 2024, cost of sales includes a $0.2 million and $0.7 million recovery related to the inventory provision (2023: nil and $0.2 million expense).

	June 30, 2024	December 31, 2023
Raw materials	$ 11,848	$ 18,500
Finished goods	14,413	10,347
Carbon	560	472
Packaging	351	243
Hedge accounting component	1,670	776
	$ 28,842	$ 30,338

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

		June 30, 2024	December 31, 2023
Net coffee futures contracts		$ 1,863	$ 1,273
Net US dollar forward contracts, current		(23)	(200)
Borrowings embedded option	Note 10.2	(2,161)	(1,353)
		$ (321)	$ (280)

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

	June 30, 2024	December 31, 2023
Net US dollar forward contracts, current	$ (668)	$ 8
Net US dollar forward contracts, long-term	(162)	591
	$ (830)	$ 599

8. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2024	December 31, 2023
Property, plant and equipment	$ 117,584	$ 120,116
Right-of-use assets	14,707	15,620
	$ 132,291	$ 135,736

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

8.1 Property, plant and equipment

	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	-	-	-	-	501	597
ARO remeasurement	-	-	(468)	-	-	-	(468)
Transfers	436	-	-	5	7	(448)	-
June 30, 2024	$ 108,843	$ 18,159	$ 6,767	$ 682	$ 178	$ 133	$ 134,762
Accumulated depreciation							
January 1, 2024	$ (10,735)	(2,699)	(575)	(392)	(116)	-	(14,517)
Depreciation	(1,779)	(581)	(228)	(60)	(13)	-	(2,661)
June 30, 2024	$ (12,514)	$ (3,280)	$ (803)	$ (452)	$ (129)	$ -	$ (17,178)
June 30, 2024	$ 96,329	$ 14,879	$ 5,964	$ 230	$ 49	$ 133	$ 117,584

	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

For the three and six months ended June 30, 2024, the total depreciation expense was $1.3 million and $2.6 million respectively (2023: $1.9 million and $4.9 million), of which, $1.2 million and $2.5 million was depreciation charged to cost of sales (2023: $1.6 million and $4.5 million), while $0.1 million and $0.1 million of depreciation charges were included in administrative expenses (2023: $0.1 million and $0.1 million). From the expensed depreciation, a total of $0.1 million and $0.2 million was allocated from cost of sales to inventory (2023: $0.3 million and $0.3 million from inventory to cost of sales).

Plant and equipment in Delta BC

The Burnaby lease expired in June 2023. During 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 effective January 1, 2024, where they are depreciated over their remaining useful lives.

Effective September 1, 2023, Swiss Water completed the construction of its 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.

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

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. The financial impact of the change in estimate was an incremental depreciation expense of $0.4 million and $2.5 million for the three and six months ended June 30, 2023. There was no such change in estimate during the three and six months ended June 30, 2024, as the Company exited the Burnaby location in June 2023.

8.2 Right-of-use assets

For the three and six months ended June 30, 2024, total depreciation expense was $0.5 million and $0.9 million respectively (2023: $0.5 million and $1.0 million), of which $0.4 million and $0.8 million was charged to cost of sales (2023: $0.4 million and $0.9 million) and $0.1 million and $0.1 million was included in administrative expense (2023: $0.1 million and $0.1 million).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	June 30, 2024	December 31, 2023
Accounts payable	$ 16,664	$ 11,458
Accrued liabilities	3,186	3,731
	$ 19,850	$ 15,189

10. BORROWINGS

As at and during the three and six months ended June 30, 2024, the Company was in compliance with all banks' and creditor's covenants. The Company's borrowings are as follows:

		June 30, 2024	December 31, 2023
Construction loans with BDC and FCC	Note 10.1	$ 56,828	$ 56,824
Debenture with warrants with MRC	Note 10.2	15,283	14,631
Credit facility	Note 10.3	23,990	26,728
Borrowings, total		$ 96,101	$ 98,183
Less current portion			
Construction loans with BDC and FCC	Note 10.1	(2,883)	(2,748)
Debenture with warrants with MRC	Note 10.2	(15,283)	(14,631)
Borrowings, current		$ (18,166)	$ (17,379)
Borrowings, non-current		$ 77,935	$ 80,804

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

10.1 Construction loans with BDC and FCC

As at June 30, 2024 and December 31, 2023, the construction loan balances due to the Business Development Bank of Canada ("BDC") and Farm Credit Canada ("FCC") are as follows:

		June 30, 2024		December 31, 2023
Current portion				
Construction loans interest, current	$	267	$	288
Construction loan with BDC, current, fixed 4.45%		1,185		1,125
Construction loan with FCC, current, variable 7.64%		685		631
Construction loan with FCC, current, fixed 4.38%		430		404
Construction loan with BDC, current, variable 7.82%		316		300
	$	2,883	$	2,748
Long term portion				
Construction loan with BDC, non-current, fixed 4.45%		21,315		21,375
Construction loan with FCC, non-current, variable 7.64%		17,815		17,869
Construction loan with FCC, non-current, fixed 4.38%		9,570		9,596
Construction loan with BDC, non-current, variable 7.82%		5,684		5,700
Financing transaction costs		(439)		(464)
	$	56,828	$	56,824

10.1 (i) BDC/FCC – Agreements and transaction costs

In 2018, the Company completed a transaction with 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, the existing creditor, and FCC in a pari passu structure. Each lender will 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 will 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 and FCC Term Loans. Principal repayments for both loans were to commence on July 1, 2024, and repaid in monthly installments until both loans mature on June 1, 2034. Effective June 2024, pursuant to an amendment, interest-only payments will continue until December 31, 2024. Monthly installments covering both principal and interest will begin on January 1, 2025. The loans will be repaid in monthly installments until their maturity on June 1, 2034. An early repayment of the principal remains an option, subject to certain conditions. The change in the agreement terms is treated as modification accounting under IFRS 9. There was no gain or loss recognized related to this change in the agreement terms.

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

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 deferred financing costs associated with the above loans. These costs are recorded in non-current borrowings and amortized until the loan maturity date. As at June 30, 2024, deferred financing costs were $0.4 million (December 31, 2023: $0.5 million).

10.1 (ii) BDC/FCC – Borrowing capacity

After the amendments 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 upon completion of the project in September 2023.

10.1 (iii) BDC/FCC – Finance expense and interest paid

For both lenders, interest is based on the outstanding loan balance and is paid monthly. For the three and six months ended June 30, 2024, interest incurred and paid on the BDC and FCC loans was $0.8 million and $1.7 million respectively (2023: $0.7 million and $1.3 million). Of that, a total of $0.8 million and $1.7 million was expensed and nil was capitalized in property, plant and equipment (2023: $0.4 million was expensed and $0.9 million was capitalized). The year to date BDC and FCC variable rate loan effective interest rates were 7.82% and 7.64% respectively (2023: 7.42% and 7.34%). The finance costs and the effective interest rates are based on the average balance drawn on each loan.

10.1 (iv) 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.

10.2 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. As at June 30, 2024 and December 31, 2023, the debenture with warrants was as follows:

	June 30, 2024	December 31, 2023
Principal amount due to MRC, 9%+1.5%	$ 15,000	$ 15,000
Unamortized bond discount	(394)	(929)
Accrued interest	677	560
	$ 15,283	$ 14,631

10.2 (i) MRC – Agreements and transaction costs

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 costs 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.

In 2021, Swiss Water amended a 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 "payment 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 were to 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 costs 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; (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. The Company incurred financing costs of $0.2 million associated with the amendment in 2022.

10.2 (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% of interest in kind, which accrues quarterly and is due at the maturity date. Interest expensed and paid for the three and six months ended June 30, 2024 was $0.7 million and $1.4 million, and $0.4 million and $0.7 million respectively (2023: $0.7 million and $1.2 million, $0.3 million and $0.6 million).

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

In 2022, the amended debenture with warrants contains 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 June 30, 2024, the Company determined the fair value of the embedded option to be $2.2 million (December 31, 2023: $1.4 million). For the three and six months ended June 30, 2024, this revaluation resulted in a gain of $0.1 million and a loss of $0.8 million (2023: gain of $0.9 million and a loss of $0.1 million).

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

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.

The inputs to the Black-Scholes Option Pricing Model were as follows:

		June 30, 2024		December 31, 2023
Share price	$	3.50	$	2.78
Exercise price	$	3.33	$	3.33
Option life		1.83		2.33 years
Volatility		42%		42%
Risk-free interest rate		4.02%		3.91%
Dividend yield		0.00%		0.00%
Fair value of embedded option	$	2,161	$	1,353

10.2 (iv) MRC – Security

In 2022, the debenture with warrants is 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.

10.3 Credit Facility with a Canadian Bank

As at June 30, 2024 and December 31, 2023, the Credit Facility due to a Canadian Bank comprises:

		June 30, 2024		December 31, 2023
Credit Facility with effective interest rate of 7.43%, 6.94%	$	24,068	$	26,858
Less unamortized financing transaction costs		(78)		(130)
	$	23,990	$	26,728

10.3 (i) Credit Facility – Agreements and transaction costs

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 costs associated with the above loan. These costs are recorded in non-current borrowings and amortized until the loan maturity date. As at June 30, 2024 deferred financing costs were $0.1 million (December 31, 2023: $0.1 million).

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

10.3 (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, Secured Overnight Financing Rate ("SOFR"), and Canadian Overnight Repo Rate Average ("CORRA"), in addition to an applicable margin/fee for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the credit. On June 6, 2024, due to a banking benchmark replacement transition, the Canadian Bank lender amended the existing credit facility agreement with the Company, to replace LIBO Rate with SOFR and Bankers' Acceptance Rate plus an acceptance fee with CORRA. The year to date Credit Facility variable rate loan effective interest rate was 7.43% (December 31, 2023: 6.94%).

Interest expense for the three and six months ended June 30, 2024, was $0.5 million and $1.0 million respectively (2023: $0.7 million and $1.4 million). Interest expense was added to the balance owed. Advances and repayments of the Credit facility are disclosed in the condensed consolidated interim statement of cash flows.

10.3 (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 inventories, accounts receivable, excess margin and gains on the commodity account, gains in the foreign exchange line of credit and other assets of the Company.

10.3 (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 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 June 30, 2024 and December 31, 2023, the Company's borrowing availability was as follows:

	June 30, 2024	December 31, 2023
Gross borrowing base availability	$ 28,810	$ 28,912
Advances, repayments, fees and interest from inception	(24,068)	(26,858)
Outstanding letter of credit and security lien bond	(537)	(537)
Interests and fees accrued	153	180
	$ 4,358	$ 1,697

10.3 (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 bank with a maximum term of up to 60 months.

10.4 Credit Facility with EDC

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. Amounts drawn on the EDC Credit bear interest at the Canadian Prime Rate plus 1.5% per annum. The EDC Credit is subject to certain fees. The EDC Credit facility will terminate on the earliest of: (i) demand by the lender of the Credit Facility for repayment, (ii) the second anniversary of the effective date, 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. As at June 30, 2024, no amounts were drawn on EDC Credit (December 31, 2023: nil).

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

10.5 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 facility. On August 4, 2020, the Company's Credit Facility Lender amended the credit agreement to recognize the foreign exchange facility guarantee provided by the third party. The facility guarantees a maximum aggregate liability of up to $6.0 million and it is valid until May 31, 2025. This guarantee provides additional borrowing capacity within the referenced credit facility.

11. LEASE LIABILITIES

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 condensed consolidated interim statement of cash flows.

For the three and six months ended June 30, 2024 and 2023 the amounts recognized in the condensed consolidated interim statement of loss and condensed consolidated interim statement of cash flows are as follows:

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Balance, open	$ 17,981	$ 19,471	$ 18,393	$ 19,927
Additions	-	154	-	154
Finance expense	221	240	449	486
Lease cash payments	(639)	(673)	(1,279)	(1,375)
Balance, end	$ 17,563	$ 19,192	$ 17,563	$ 19,192

12. ASSET RETIREMENT OBLIGATION ("ARO")

The Company estimates that the total undiscounted amount of cash flows required to settle its ARO is approximately $5.5 million, all of which is allocated to the Delta location. As at June 30, 2024, the Company recorded a total of $3.4 million (December 31, 2023: $3.8 million) reflecting the present value of the ARO using a risk-free rate of 3.35% (December 31, 2023: 3.06%). The calculation of the ARO does not take into account the option to purchase the leased building and the underlying land.

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

The ARO transactions were as follows:

	June 30, 2024	December 31, 2023
Balance, open	$ 3,839	$ 4,180
Remeasurement recognized in property plant and equipment	(470)	905
Accretion	59	103
Remeasurement recognized in other gains	-	(175)
Payments	-	(1,174)
Balance, end	$ 3,428	$ 3,839

13. SHARE CAPITAL

13.1 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 June 30, 2024, there were 9,517,552 common shares issued and outstanding (December 31, 2023: 9,212,955). As disclosed in under Restricted share units ("RSUs") note, below, during the six months ended June 30, 2024, of the vested RSUs, a total of 304,597 RSUs were converted to 304,597 common shares (2023: 47,140).

13.2 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 June 30, 2024, there were no preferred shares issued and outstanding (December 31, 2023: nil).

13.3 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 10.2 for further details.

As at June 30, 2024, the 2.25 million warrants continue to be issued and outstanding with an exercise price of $3.33, maturing on April 30, 2026. The remaining weighted average life of the warrants is 1.83 years (December 31, 2023: 2.33 years).

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

13.4 Restricted share units ("RSUs")

As at each reporting date, for RSUs that are potentially cash settled, the Company values these 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. As at each reporting date, for RSUs that are equity settled, these RSUs are not revaluated. For the three and six months ended June 30, 2024, the value of RSUs exercised was $0.2 million and $0.9 million respectively, while the value of cash-settled RSUs was $0.2 million and $0.5 million respectively (2023: nil and $0.1 million and nil and $0.1 million respectively). 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	2.74	No
RSUs granted - performance	59,777	$	3.43	2.74	Yes
RSUs cash-settled	(47,000)	$	3.53	-	No
RSUs cash-settled - performance	(108,579)	$	2.95	-	Yes
RSUs equity-settled	(57,000)	$	3.05	-	No
RSUs equity-settled - performance	(247,596)	$	2.88	-	Yes
RSUs forfeited	(3,500)	$	2.68	-	No
RSUs forfeited - performance	(118,725)	$	2.88	-	Yes
Balance at June 30, 2024	**343,554**	**$**	**2.80**	**2.15**	

13.5 Deferred share units ("DSUs")

As at each reporting date, the Company values the DSUs using 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.

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

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	36,685	$	3.05	No
Balance at June 30, 2024	**271,346**	**$**	**3.50**	

14. REVENUE

14.1 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 June 30, 2024		3 months ended June 30, 2023		6 months ended June 30, 2024		6 months ended June 30, 2023
Decaffeinated coffee sales	$	37,981	$	38,818	$	71,830	$	81,093
Decaffeination services		2,509		1,516		4,735		4,788
Distribution		2,882		3,034		5,537		6,532
	$	43,372	$	43,368	$	82,102	$	92,413

14.2 Contract balances

As at June 30, 2024, accounts receivable consist of amounts due from customer contracts and reflect the Company's right to consideration that is unconditional. The Company did not have other contract assets or liabilities from contracts with customers.

15. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

		3 months ended June 30, 2024		3 months ended June 30, 2023		6 months ended June 30, 2024		6 months ended June 30, 2023
Short-term benefits	$	3,219	$	3,114	$	6,481	$	6,554
Long-term benefits		189		(190)		724		303
Post-employment benefits		402		369		789		722
	$	3,810	$	3,293	$	7,994	$	7,579

Employee's long-term benefits are share based compensation expenses related to RSUs and DSUs, which are valued using the Company's share price at each period end.

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

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 are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

16.1 Compensation of Key Management Personnel

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

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Short-term benefits	$ 714	$ 585	$ 1,348	$ 1,118
Long-term benefits	141	(214)	596	233
Post-employment benefits	91	94	169	166
	$ 946	$ 465	$ 2,113	$ 1,517

Key management long-term benefits are share based compensation expenses related to RSUs and DSUs, which are valued using the Company's share price at each period end.

16.2 Trading transactions

During the three and six months ended June 30, 2024 and 2023, the Company entered into the following transactions with a company that is related to a director of the Company:

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Sales	$ 179	$ 296	$ 417	$ 451
Purchases of raw materials	$ 3,253	$ 649	$ 5,121	$ 3,335

As at June 30, 2024 and December 31, 2023, the Company had the following balances receivable from and payable to a company that is related to a director:

	June 30, 2024	December 31, 2023
Accounts receivable	$ 8	$ 5
Accounts payable	$ 1,645	$ 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.

16.3 Employee Loan

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 June 30, 2024, the loan balance of $0.01 million was included in other current receivables (December 31, 2023: $0.01 million).

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

16.4 Debenture with warrants

MRC is a shareholder of Swiss Water, and under the terms of the debenture with warrants agreement, MRC added their Director nominee 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 Borrowings under the subheading 'Debenture with warrants with MRC' for this related party disclosure.

17. BASIC AND DILUTED EARNINGS 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 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:

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Basic earnings per share				
Net income (loss) attributable to shareholders	$ 947	$ (371)	$ 47	$ (1,072)
Weighted average number of shares	9,502,151	9,212,955	9,362,995	9,199,672
Basic earnings (loss) per share	**$ 0.10**	**$ (0.04)**	**$ 0.01**	**$ (0.12)**
Diluted earnings per share				
Net income (loss) attributable to shareholders	$ 947	$ (371)	$ 47	$ (1,072)
Effect of diluted securities: RSUs	-	(131)	-	-
Interest on debenture with warrants	-	627	-	-
Fair value of borrowings embedded option	(84)	(859)	-	-
Net income after effect of diluted securities	$ 863	$ (734)	$ 47	$ (1,072)
Weighted average number of shares - basic	9,502,151	9,212,955	9,362,995	9,199,672
Effect of diluted securities: RSUs	-	622,944	-	-
Effect of diluted securities: Warrants	2,250,000	2,250,000	-	-
Weighted average number of shares - diluted	11,752,151	12,085,899	9,362,995	9,199,672
Diluted earnings (loss) per share	**$ 0.07**	**$ (0.06)**	**$ 0.01**	**$ (0.12)**

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:

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Weighted average number of RSUs granted	356,741	-	494,652	618,757
Weighted average number of Warrants issued and outstanding	-	-	2,250,000	2,250,000

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, except shares and per share amounts)

18.1 Revenue

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Canada	$ 11,221	$ 11,411	$ 22,248	$ 23,370
United States	21,958	22,539	41,173	50,612
International and other	10,193	9,418	18,681	18,431
	$ 43,372	$ 43,368	$ 82,102	$ 92,413

18.2 Non-Current Assets (excluding deferred tax assets)

	June 30, 2024	December 31, 2023
Canada	$ 132,388	$ 136,424
United States	7	12
Europe	87	99
	$ 132,482	$ 136,535

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	3 months ended June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Accounts receivable	$ 3,037	$ 7,121	$ (172)	$ 2,444
Inventories	(1,979)	21,871	3,241	25,881
Other assets and liabilities	(476)	(117)	(574)	(95)
Prepaid expenses and other receivables	23	12	139	24
Accounts payable and accrued liabilities	2,404	(19,779)	4,731	(22,055)
Payments for asset retirement obligation	-	(1,002)	-	(1,086)
Derivative assets, liabilities and hedged firm commitments at fair value through profit and loss	(1,826)	(1,213)	(1,472)	(4,248)
	$ 1,183	$ 6,893	$ 5,893	$ 865

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

- During the three and six months ended June 30, 2024, Swiss Water $0.5 million was paid in cash to settle RSUs (2023: $0.1 million and $0.1 million).
- During the three and six months ended June 30, 2024, Swiss Water paid nil and nil related to asset retirement obligation to restore its legacy Burnaby leased property (2023: $1.0 million and $1.1 million).
- During the three and six months ended June 30, 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 three and six months ended June 30, 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 June 30, 2024, $0.5 million of depreciation on manufacturing equipment was allocated to inventory (December 31, 2023: $0.3 million). This is a non-cash item within operating and investing activities.
- As at June 30, 2024, nil additions to property, plant and equipment were recorded in accounts payable and accrued liabilities (December 31, 2023: $0.2 million). These transactions did not require the use of the Company's cash.
- During the three and six months ended June 30, 2024, no cash interest payments on construction loans were added to property, plant and equipment (2023: $0.5 million and $0.9 million).
- During the three and six months ended June 30, 2023, the Company capitalized $0.4 million of share based compensation to property, plant and equipment. There was no such transaction in 2024. This is a non-cash item within operating and investing activities.

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

- During the year ended December 31, 2022, the Company incurred $0.8 million in financing transaction costs related to the renegotiation of the Company's borrowings. Of these costs, $0.4 million was paid during the three and six months ended June 30, 2023. No such costs were paid in 2024.
- During the three and six months ended June 30, 2024 and 2023, the Company has classified the interest portion of lease payments within operating activities and the principal portion within financing activities.

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.

20.1 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 June 30, 2024, the Company had futures contracts to buy 14.0 million pounds of green coffee with a notional value of US$31.6 million, and contracts to sell 22.4 million pounds of green coffee with a notional value of US$50.3 million. The furthest contract matures in March 2025 (December 31, 2023: buy

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

9.3 million pounds of green coffee with a notional value of US$17.1 million, and contracts to sell 13.8 million pounds of green coffee with a notional value of US$25.5 million). An estimated 1% decrease in the mark-to-market rate applied to coffee futures would have resulted in an estimated gain of $0.2 million to the net income, and vice versa (December 2023: $0.1 million gain to net income).

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

Carrying amount of hedging instruments		**June 30, 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)	$	18,760	$	8,396
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	1,863	$	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		**June 30, 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)		8,433		4,489
Line items in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	$	1,886	$	1,226
Liabilities		348		569
Changes in fair value used for calculating hedge ineffectiveness		-		-

20.2 Foreign exchange currency risk hedges

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 June 30, 2024, the Company had forward currency contracts to buy US$15.1 million and sell US$39.8 million (December 31, 2023: buy US$9.9 million and sell US$51.3 million) from July 2024 through to January 2027 at various Canadian exchange rates ranging from $1.28 to $1.38. An estimated CAD 1 cent decrease in the value of the US dollar would have resulted in an estimated gain of $0.2 million to the net income and other comprehensive income, and vice versa (December 2023: $0.3 million gain to the net loss and other comprehensive loss).

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 contracts, as these are not designated hedge instruments.

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

Currency risk hedges related to US$ sales

As at June 30, 2024, the Company designated as hedging instruments US$39.8 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue (December 31, 2023: US$51.3 million).

Carrying amount of hedging instruments		June 30, 2024		December 31, 2023
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US$'000)	$	39,840	$	51,310
Line items in the statement of financial position where hedging instrument is located				
Derivative Assets	$	34	$	864
Derivative Liabilities		864		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		**June 30, 2024**		**December 31, 2023**
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedged item (in US$'000)	$	39,840	$	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		(831)		599

Currency risk hedges related to US$ purchases

As at June 30, 2024, the Company designated as hedging instruments US$7.1 million in forward contracts to buy US dollars, which relate to coffee purchases (December 31, 2023: US$5.8 million).

Carrying amount of hedging instruments		June 30, 2024		December 31, 2023
Fair value hedge		Foreign currency purchase forwards		Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$	7,130	$	5,844
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	39	$	4
Derivative Liabilities		31		157
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	June 30, 2024	December 31, 2023
Fair value hedge	Firm purchase commitments & inventories	Firm purchase commitments & inventories
Nominal amount of hedged item (in US$'000)	$ 7,130	$ 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	39	7
Changes in fair value used for calculating hedge ineffectiveness	-	-

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 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 $0.3 million decrease to net income and vice versa (2023: $0.4 million decrease to net income). There is no interest rate risk on the debenture with warrants and fixed construction loans as the interest rates are fixed.

20.4 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 by reviewing their external credit ratings and interviewing customers' reputable vendors and the customer's credit check is reviewed periodically.

The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. For the six months ended June 30, 2024, revenues from three major customers, in the amount of $32.4 million (2023: $34.2 million) represented 40% (2023: 37%) of total revenues for the period. Three customers represented 49% of total accounts receivable as at June 30, 2024 (December 31, 2023: 42%).

The Company had 12% of its accounts receivable past due but not impaired as at June 30, 2024 (December 31, 2023: 14%). Of the accounts receivable that are past due, 84% are 1-30 days past due, while 16% are over 31 days past due (December 31, 2023: 89% and 14% respectively).

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 shares and per share amounts)

20.5 Liquidity risk

Non-derivative financial liabilities are as follows:

	Carrying Amount June 30, 2024	Contractual Cash Flows < 1 Year	2-3 Years	4-5 Years	Thereafter
Accounts payable	$ 16,664	$ 16,664	$ -	$ -	$ -
Other liabilities	1,078	991	87	-	-
Lease liabilities	17,563	2,548	5,192	1,420	42
Credit facility	23,990	-	24,068	-	-
Construction loans and interest	56,828	2,882	12,000	12,000	30,385
Debenture with warrants	15,283	15,677	-	-	-
Total	$ 131,406	$ 38,762	$ 41,347	$ 13,420	$ 30,427

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.

20.6 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 includes financial instruments where the valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 captures the Company's cash and cash equivalents and commodity futures.

b) Level 2 includes financial instruments where the valuation techniques are 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). Level 2 captures the Company's foreign exchange forward contracts, derivative financial liabilities, borrowings embedded option, construction loans, credit facilities, and other liabilities.

c) Level 3 includes financial instruments where the valuation techniques use inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have level 3 financial instruments.

Financial instruments that are measured at fair value are categorized as follows. During the three and six months ended June 30, 2024, there were no transfers between level 1 and level 2 instruments.

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

	June 30, 2024	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	$ 18,382	$ 18,382	$ -	$ -
Derivative assets	1,936	1,863	73	-
	$ 20,318	$ 20,245	$ 73	$ -
Financial liabilities				
Derivative liabilities	$ 926	$ -	$ 926	$ -
Borrowings embedded option	2,161	-	2,161	-
Other liabilities	1,078	-	1,078	-
	$ 4,165	$ -	$ 4,165	$ -
	December 31, 2023	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash	$ 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:

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

21. 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 10, 'Credit Facility – Borrowing base'.

The Company also has, in the normal course of business, entered into various contracts. As at June 30, 2024, these contracts related to the purchase of green coffee in the amount of $65.0 million (December 31, 2023: $44.9 million). Of these contracts, $65.0 million will become payable within twelve months from June 30, 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.