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

For the Three and Nine Months Ended September 30, 2022

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

	Note	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		$ 2,910	$ 4,250
Accounts receivable	4	21,204	14,075
Inventories	5	64,440	35,308
Prepaid expenses and other receivables		1,722	917
Derivative assets and hedged firm commitments	6, 18	5,568	5,618
Total current assets		95,844	60,168
Non-current assets			
Receivables	4	208	255
Property, plant and equipment	7	121,992	106,654
Intangible assets		176	375
Deferred tax assets		266	151
Derivative assets	6, 18	-	642
Total non-current assets		122,642	108,077
Total assets		$ 218,486	$ 168,245
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 42,887	$ 15,260
Borrowings	9	34,454	23,416
Income tax payable		247	149
Asset retirement obligation		784	-
Other liabilities		543	426
Lease liabilities	10	1,720	1,793
Derivative liabilities and hedged firm commitments	6, 18	4,269	823
Total current liabilities		84,904	41,867
Non-current liabilities			
Other liabilities		144	146
Borrowings	9	51,631	43,436
Lease liabilities	10	18,650	19,926
Asset retirement obligation		1,023	1,911
Deferred tax liabilities		5,257	5,346
Derivative liabilities	6, 18	886	18
Total non-current liabilities		77,591	70,783
Total liabilities		162,495	112,650
Shareholders' equity			
Share capital	11	$ 44,193	$ 43,992
Warrants	11	1,773	1,773
Share-based compensation reserve		273	351
Accumulated other comprehensive income		(1,536)	832
Retained earnings		11,288	8,647
Total equity		55,991	55,595
Total liabilities and shareholders' equity		$ 218,486	$ 168,245

Commitments (Note 19)

Subsequent event (Note 20)

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

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

	Note	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Revenue	12, 16.1	$ 46,154	$ 35,496	$ 132,937	$ 89,947
Cost of sales		(39,540)	(29,478)	(112,608)	(76,725)
Gross profit		6,614	6,018	20,329	13,222
Operating expenses					
Administration expenses		(2,480)	(2,007)	(7,140)	(5,413)
Sales and marketing expenses		(841)	(686)	(2,600)	(2,640)
Total operating expenses		(3,321)	(2,693)	(9,740)	(8,053)
Operating income		3,293	3,325	10,589	5,169
Non-operating or other					
Loss on risk management activities		(956)	(410)	(1,495)	(502)
Loss on fair value on embedded option		-	(56)	-	(48)
Finance income		124	102	335	370
Finance expense		(1,321)	(1,125)	(3,990)	(3,175)
Loss on extinguishment of Mill Road convertible debenture		-	(1,385)	-	(1,385)
Gain (loss) on foreign exchange		(1,396)	(364)	(1,849)	207
Total non-operating or other		(3,549)	(3,238)	(6,999)	(4,533)
Income before tax		(256)	87	3,590	636
Income tax expense		52	48	(949)	(381)
Net income		$ (204)	$ 135	$ 2,641	$ 255
Basic earnings per share	15	$ (0.02)	$ 0.01	$ 0.29	$ 0.03
Diluted earnings per share	15	$ (0.02)	$ 0.01	$ 0.29	$ 0.03

SWISS WATER DECAFFEINATED COFFEE INC.

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

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Net income	$ (204)	$ 135	$ 2,641	$ 255
Other comprehensive (loss) income, net of tax				
Items that may be subsequently reclassified to income:				
Unrealized (loss) gain				
Derivatives designated as cash flow hedges - currency risk hedges on US$ future revenue	(2,806)	(726)	(3,217)	415
Items reclassified to income:				
Realized loss recognized in income				
Derivatives designated as cash flow hedges				
- currency risk hedges on US$ future revenue, recognized in revenue	33	(27)	(111)	(228)
Other comprehensive (loss) income related to hedging activities	(2,773)	(753)	(3,328)	187
Tax expense on other comprehensive income relating to hedging activities	748	204	898	(50)
Cumulative translation adjustment	62	14	62	(4)
Other comprehensive (loss) income, net of tax	(1,963)	(535)	(2,368)	133
Net (loss) income and other comprehensive (loss) income	$ (2,167)	$ (400)	$ 273	$ 388

Condensed Consolidated Interim Statements of Changes in Equity

	Note	Share capital: Shares	Share capital: Amount	Warrants	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at December 31, 2020		**9,078,780**	**$ 43,710**	**$ -**	**$ 419**	**$ 714**	**$ 8,151**	**$ 52,994**
Shares issued for restricted share units		50,893	282	-	(282)	-	-	-
Share-based compensation		-	-	-	148	-	-	148
Warrants issued		-	-	1,773	-	-	-	1,773
Net income and other comprehensive income		-	-	-	-	133	255	388
Balance at September 30, 2021		**9,129,673**	**$ 43,992**	**$ 1,773**	**$ 285**	**$ 847**	**$ 8,406**	**$ 55,303**
Balance at December 31, 2021		**9,129,673**	**$ 43,992**	**$ 1,773**	**$ 351**	**$ 832**	**$ 8,647**	**$ 55,595**
Shares issued for restricted share units	11.4	36,142	201	-	(201)	-	-	-
Settlement of loan with restricted share units		-	-	-	(39)	-	-	(39)
Share-based compensation		-	-	-	162	-	-	162
Net income and other comprehensive income		-	-	-	-	(2,368)	2,641	273
Balance at September 30, 2022		**9,165,815**	**$ 44,193**	**$ 1,773**	**$ 273**	**$ (1,536)**	**$ 11,288**	**$ 55,991**

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 September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Operating activities					
Net income		$ (204)	$ 135	$ 2,641	$ 255
Items not affecting cash:					
Depreciation and amortization		1,840	1,698	5,332	5,114
Share-based compensation expense		55	111	264	485
Unrealized loss (gain) on risk management activities		699	(46)	840	263
Unrealized loss on fair value adjustment of embedded option		-	56	-	48
Finance income		(124)	(102)	(335)	(370)
Finance expense		1,321	1,125	3,990	3,175
Loss on extinguishment of debt		-	1,385	-	1,385
Income tax (recovery) expense		(52)	(48)	949	381
Other		122	24	(88)	(122)
		3,657	4,338	13,593	10,614
Change in non-cash working capital relating to operating activities	17	(2,609)	(3,112)	(11,324)	(8,588)
Net cash generated from operations		**1,048**	**1,226**	**2,269**	**2,026**
Interest received		124	159	312	445
Interest paid	17	(860)	(790)	(2,879)	(2,323)
Income taxes paid		-	-	(34)	(25)
Net cash (used in) generated from operating activities		**312**	**595**	**(332)**	**123**
Investing activities					
Additions to plant and equipment	17	(5,170)	(5,715)	(18,645)	(10,752)
Recovery of costs related to equipment	7.1	111	-	1,361	-
Net cash used in investing activities		**(5,059)**	**(5,715)**	**(17,284)**	**(10,752)**
Financing activities					
Payment of lease liabilities		(446)	(421)	(1,299)	(1,265)
Proceeds from credit facility		5,600	2,250	11,100	7,450
Repayments of credit facility		-	(1,000)	(1,000)	(3,500)
Proceeds from construction loans		1,283	3,503	7,534	7,801
Transaction costs related to debt financing activities		(59)	(293)	(59)	(446)
Transaction costs related to warrants issuance		-	(29)	-	(29)
Net cash generated from financing activities		**6,378**	**4,010**	**16,276**	**10,011**
Decrease in cash and cash equivalents		1,631	(1,110)	(1,340)	(618)
Cash and cash equivalents, beginning of the period		1,279	3,241	4,250	2,749
Cash and cash equivalents, end of the period		$ 2,910	$ 2,131	$ 2,910	$ 2,131

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

1. NATURE OF BUSINESS AND LIQUIDITY

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.

The Company has a revolving credit facility agreement for up to $35.0 million with a maturity date of November 15, 2022 as disclosed in 'Credit Facility', note 9.3. As of September 30, 2022 amounts drawn on the Credit Facility total $34.3 million (2021: $23.4 million) and are classified as current liabilities in the consolidated statement of financial position as the Credit Facility is due within the next twelve months. In November 2022, the Company received a renewal and an expansion to the Credit Facility as disclosed in the 'Subsequent event', note 20.

2. BASIS OF PREPARATION

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 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, 2021.

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, 2021.

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 nine months ended September 30, 2022 were approved for issuance by the Company's Directors on November 7, 2022. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization except as disclosed in 'Subsequent event', note 20.

2.1 New and amended standards

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2022. 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* (phase 2) were amended to address issues arising from the implementation of interest rate benchmark reform ("IBOR"), including the replacement of one benchmark with an alternative one. The Company has not currently transitioned its agreements to address IBOR reform. Currently, the Credit Facility, under the Borrowings note, is exposed to

LBOR which is currently scheduled to cease publication in the near future. We will continue to monitor developments on alternative benchmark interest rates and we expect to transition to alternative rates as a widespread market practice is established. We do not expect the replacement to result in a significant change to our risk management strategy.

- *IFRS 1* amended the exemption in IFRS 1.D16(a) to allow a subsidiary adopting IFRS at a later date than its parent to also measure cumulative translation differences using the amounts reported by the parent based on the parent's date of transition to IFRS.
- *IFRS 16* amended illustrative example 13 to remove the illustration of payments from the lessor related to leasehold improvements.
- *IFRS 3 – Reference to Conceptual Framework* was amended to (i) replace references to the 2001 Conceptual Framework for Financial Reporting to the 2018 Conceptual Framework for Financial Reporting in order to determine what constitutes an asset or liability in a business combination, (ii) add a new exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 rather than the 2018 Conceptual Framework, and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date.
- *IAS 37 – Onerous contracts – Cost of fulfilling a contract* was amended to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- *IAS 16 – Proceeds before intended use* was amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and (iii) require certain related disclosures.

2.2 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2023 and the Company does not anticipate a material impact on its financial statements:

- *IAS 12 - Deferred taxes related to assets and liabilities arising from a single transaction.*
- *IFRS 1* was amended to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Consequential amendment to IFRS 1 to add an exception to retrospective application.
- *IAS 1 - Accounting policy disclosures; Changes in estimates vs accounting policies.*
- *IAS 8* - Narrow scope amendments to improve accounting policy disclosures, and to distinguish changes in accounting estimates from changes in accounting policies.
- *IAS 1 – Classification of liabilities as current or non-current* was amended to clarify how to classify debt and other liabilities as either current or non-current.

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 additional debt, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

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

4. 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 trivial. As a result, the expected credit losses provision, as at September 30, 2022 and December 31, 2021 are de minimis.

5. INVENTORIES

During the three and nine months ended September 30, 2022, the cost of inventories recognized in cost of sales was $37.4 million and $106.8 million (2021: $27.9 million and $71.4 million), respectively. The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

As at September 30, 2022, $0.5 million of depreciation was included in the finished goods inventory (2021: $0.6 million).

	September 30, 2022	December 31, 2021
Raw materials	$ 39,242	$ 13,607
Finished goods	24,446	17,238
Carbon	494	365
Packaging	436	292
Hedge accounting component	(178)	3,806
	$ 64,440	$ 35,308

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

	September 30, 2022	December 31, 2021
Net Coffee futures contracts	$ 3,198	$ 3,458
Net US Dollar forward contracts, current	23	187
	$ 3,221	$ 3,645

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

	September 30, 2022	December 31, 2021
Net US Dollar forward contracts, current	$ (1,314)	$ 505
Net US Dollar forward contracts, long-term	(886)	623
	$ (2,200)	$ 1,128

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

7. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2022	December 31, 2021
Property, plant and equipment	$ 104,035	$ 87,036
Right-of-use assets	17,957	19,618
	$ 121,992	$ 106,654

7.1 Property, plant and equipment

Property, plant and equipment net additions during the nine months ended September 30, 2022 consisted of $20.0 million (2021: $9.3 million).

During the first half of 2022, the Company received from vendors $1.4 million in cash, which is related to the first production line in Delta. These proceeds were recorded as a reduction in property, plant and equipment. There were no such proceeds in 2021.

For the three months ended September 30, 2022, the depreciation charges were $1.2 million (2021: $1.1 million), of which $1.1 million was charged to cost of sales (2021: $1.0 million), while $0.06 million was included in administrative expense (2021: $0.1 million) and $0.06 million was allocated from inventory (2021: nil).

For the nine months ended September 30, 2022, the depreciation charges were $3.5 million (2021: $3.3 million), of which $3.3 million was charged to cost of sales (2021: $3.1 million), while $0.2 million was included in administrative expense (2021: $0.2 million) and $0.06 million was allocated from inventory (2021: nil).

7.2 Right-of-use assets

For the three and nine months ended September 30, 2022, total depreciation expense was $0.5 million and $1.6 million respectively (2021: $0.5 million and $1.6 million), of which $0.5 million and $1.4 million were charged to cost of sales (2021: $0.4 million and $1.4 million) and $0.05 million and $0.2 million was included in administrative expense (2021: $0.07 million and $0.2 million).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise as follows:

	September 30, 2022	December 31, 2021
Accounts payable	$ 36,586	$ 8,602
Accrued liabilities	6,301	6,658
	$ 42,887	$ 15,260

Accounts payable and accrued liabilities are presented together as they are similar in nature. As such, the classification of accounts payable and accrued liabilities as disclosed as at December 31, 2021, was changed to conform to the presentation used in the current period.

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

9. BORROWINGS

As at and during the nine months ended September 30, 2022, the Company was in compliance with all banks' and creditor's covenants. Borrowings consist of the following:

		September 30, 2022	December 31, 2021
Construction loans with BDC and FCC	Note 9.1	$ 38,250	$ 30,655
Debenture with warrants	Note 9.2	13,534	12,890
Credit facility	Note 9.3	34,301	23,307
Borrowings, total		$ 86,085	$ 66,852
Less current portion			
Construction loans interest	Note 9.1	(153)	(109)
Credit facility	Note 9.3	(34,301)	(23,307)
Borrowings, current		$ (34,454)	$ (23,416)
Borrowings, non-current		$ 51,631	$ 43,436

9.1 Construction loans with BDC and FCC

As at September 30, 2022 and December 31, 2021, the construction loans' balances due to BDC and FCC are as follows:

	September 30, 2022	December 31, 2021
Construction loans interest, current	$ 153	$ 109
Construction loan with BDC, non-current, fixed 4.45%	19,095	15,330
Construction loan with FCC, non-current, fixed 4.38%	10,000	10,000
Construction loan with FCC, non-current, variable 4.461%	9,206	5,438
Financing costs	(204)	(222)
	$ 38,250	$ 30,655

In 2018, the Company completed a transaction with the Business Development Bank of Canada ("BDC") for a term loan facility ("Term Loan") of up to $20.0 million. The purpose of the Term Loan is to assist in the financing of new equipment for the first production line built in Delta, British Columbia. 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.

On June 3, 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 Business Development Corp ("BDC") and Farm Credit Canada ("FCC") in a Pari Passu structure. Each lender will fund 50% of the $45.0 million total loan value. The original borrowing capacity with BDC increased from $20.0 million to $22.5 million ("BDC Amended Term Loan") and FCC will also fund the $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. FCC paid $10.0 million to BDC on the Company's behalf to ensure that existing borrowings were restructured on a Pari Passu basis.

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

Only interest will be paid on the outstanding balance on a monthly basis prior to July 1, 2024 for both the BDC Amended Term Loan and FCC Term Loan. Principal repayments for both loans commence on July 1, 2024 and will be repaid in monthly installments until both loans mature on June 1, 2034.

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

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

Subsequent to the period ended September 30, 2022, the Company expanded its construction loans with BDC and FCC as disclosed in 'Subsequent event', note 20.

BDC/FCC - Finance expense and interest paid

Interest is based on the outstanding loan balance and is paid monthly. Interest expense on the BDC loan was $0.2 million and $0.6 million for the three and nine months ended September 30, 2022 (2021: $0.1 million and $0.6 million), while interest expense on the FCC loans was $0.2 million and $0.6 million (2021: $0.1 million and $0.1 million). A total of $0.5 million of this interest expense was capitalized in property plant and equipment during the construction of the second production line in Delta. The year to date FCC variable rate loan effective interest rate was 4.461%. The finance costs and the effective interest rate is based on the average balance drawn on the variable loan due to FCC. During the three and nine months ended September 30, 2022 the Company paid $0.4 million and $1.1 million respectively in interest to BDC/FCC (2021: 0.1 million and $0.7 million).

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.

9.2 Debenture with warrants

As at September 30, 2022 and December 31 2021, the value of the debenture with warrants, which consists of a principal amount due to Mill Road Capital LLC ("MRC"), net of valuation of warrants, is as follows:

	September 30, 2022	December 31, 2021
Principal amount due to MRC, 9%+1.5%	$ 15,000	$ 15,000
Unamortized bond discount	(1,738)	(2,212)
Accrued interest	272	102
	$ 13,534	$ 12,890

In 2016, the Company issued an unsecured subordinated convertible debenture to MRC for gross proceeds of $15.0 million. 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.

On July 20, 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

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

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 expire on October 31, 2024.

Subsequent to the period ended September 30, 2022, the Company amended its debenture with warrants with MRC as disclosed in 'Subsequent event', note 20.

MRC - Finance expense and interest paid

For the three and nine months ended September 30, 2022, interest expensed on debt due to MRC was $0.6 million and $1.7 million, respectively (2021: $0.5 million and $1.3 million), while interest paid was $0.3 million and $1.0 million (2021: $0.3 million and $0.8 million). 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 these, the interest rate increases to 12.5 % per annum. The Company also incurs an additional 1.5% of interest "payment in kind", which accrues quarterly and is due at the maturity date.

MRC - Debenture with warrants - Liability component of debenture with warrants

On July 20, 2021, the liability component of the new debenture with warrants was initially measured at a fair value of $12.5 million which represents the present value of the contractually determined flow of cash discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows on the same terms, but without the warrants rights, of 16.99%.

As at July 20, 2021, the amendment date, the value of the principal amount due to MRC and the value of the warrants were as follows:

		At inception on July 20, 2021
Principal amount	$	15,000
Warrants value		(2,468)
Liability component of debenture with warrants	$	12,532

MRC - Debenture with warrants - Warrants component

As a part of the debenture with warrants agreement, on July 20, 2021, the Company issued 2.25 million of the Company's warrants to MRC with a value calculated using the Black Scholes model of $2.5 million. Details on the valuation of the warrants are disclosed in the share capital note disclosure, under warrants.

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

9.3 Credit Facility

As at September 30, 2022 and December 31, 2021, the Credit Facility due to a Canadian Bank comprises:

	September 30, 2022	December 31, 2021
Credit Facility	$ 34,306	$ 23,412
Less unamortized transaction costs	(5)	(105)
	$ 34,301	$ 23,307

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. During the third quarter of 2022 the Credit Facility's $30.0 million threshold was increased to $35.0 million to support the finalization process of the renewal.

The amounts drawn on the credit facility are classified in the consolidated statement of financial position as current liabilities. 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.

During October 2022, subsequent to the quarter ended September 30 2022, while finalizing the renewal, Credit Facility's lender agreed to temporarily extend the maturity date of October 18, 2022 to November 15, 2022.

In November 2022, subsequent to the quarter ended September 30 2022, the Credit Facility was expanded and renewed beyond November 15, 2022, as disclosed in the 'Subsequent event', note 20.

Credit Facility - Finance expense and interest paid

The Credit Facility has multiple interest rate options that are based on the Canadian Prime Rate, Base Rate, LIBO Rate, Bankers' Acceptance Rate plus an acceptance fee, in addition to an Applicable Margin for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the credit. The year to date Credit Facility variable rate loan effective interest rate was 3.66%. For the three and nine months ended September 30, 2022, finance expenses on the credit facility were $0.4 million and $0.7 million (2021: $0.08 million and $0.23 million) which were added to the loan balance.

Credit Facility - Security

The Company has pledged substantially all of its assets, except for assets pledged to BDC and FCC (see note 9.1), as collateral for the Credit Facility, including a first priority security interest over all inventory, accounts receivable, excess margin and gains on the commodity account, gains in the foreign exchange line of credit and other assets of the Company.

Credit Facility - Borrowing base

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

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

As at September 30, 2022 and December 31, 2021, the Company's borrowing availability was as follows:

	September 30, 2022	December 31, 2021
Gross borrowing base availability	$ 35,000	$ 25,912
Advances, repayments, fees and interest from inception	(34,306)	(23,412)
Outstanding letters of credit	(300)	(300)
Interests and fees accrued	153	47
	$ 547	$ 2,247

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.

9.4 Foreign exchange facility guarantee

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, 2023. This guarantee provides additional borrowing capacity within the referenced credit facility.

10. LEASE LIABILITIES

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

For the three and nine months ended September 30, 2022 lease liabilities interest expense recognized in profit and loss was $0.3 million and $0.8 million respectively (2021: $0.2 million and $0.8 million). The minimum lease payments recognized in the financing component of the statement of cash flows were $0.7 million and $2.1 million respectively (2021: $0.7 million and $2.1 million).

During the nine months ended September 30, 2022, the Company exited its Seattle Washington office lease and the Company recognized a negligible loss in the statement of income. The lease was set to expire on October 31, 2022.

11. SHARE CAPITAL

11.1 Common Shares

Swiss Water is authorized to issue an unlimited number of common shares. Each share is equally eligible to receive dividends when declared and represents one vote at meetings of shareholders.

As at September 30, 2022, there were 9,165,815 common shares issued and outstanding.

11.2 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.

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

The Preferred Shares are equity securities that may be treated like a category in between debt and equity as a means to provide financing for the Company. Management is not intending that the new series of preferred shares are listed on the TSX nor would these preferred shares give voting rights to holders. Any creation and issuance of any series of preferred shares are subject to the prior approval of the TSX. At this time terms of the shares, including dividend rates, redemption provision and similar terms were not yet established.

As at September 30, 2022, there were nil preferred shares issued and outstanding.

11.3 Warrants

As part of the debenture with warrants agreement with Mill Road Capital LLC, on July 20, 2021, the Company issued 2.25 million of Swiss Water's warrants to MRC. The warrant value of $2.5 million was recorded as a component of equity as it will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's common shares and will not be subsequently remeasured. Each warrant is exercisable for one common share of Swiss Water at a price of $3.33 per share, expiring on October 31, 2024. The Company incurred $0.03 million in transaction costs related to these warrants.

	September 30, 2022	December 31, 2021
Warrant value	$ 2,468	$ 2,468
Warrant transaction costs	(29)	(29)
Warrant defered tax	(666)	(666)
	$ 1,773	$ 1,773

The fair value of warrants cannot be reliably measured, therefore, at the time of issuance the valuation used the Black-Scholes option pricing models. As at September 30, 2022, the remaining life of the warrants is 2.09 years.

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

11.4 Restricted share units

On the reporting date, the Company values the RSUs using the volume based weighted average share price ("VWAP"). VWAP is based on the Canadian dollar trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately preceding that relevant date, calculated by dividing the total value by the total volume of common shares traded, according to the RSU Plan.

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

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, 2021	**306,850**	**$**	**2.88**	**1.26**	
RSUs granted	87,000	$	3.13	2.25	No
RSUs granted - performance	158,300	$	3.07	2.21	Yes
RSUs cash-settled	(45,792)	$	3.51	-	No
RSUs exercised	(50,893)	$	6.07	-	No
RSUs forfeited	(15,718)	$	3.70	-	No
Balance at December 31, 2021	**439,747**	**$**	**3.07**	**1.56**	
Balance at January 1, 2022	**439,747**	**$**	**3.07**	**1.56**	
RSUs granted	63,000	$	2.58	2.38	No
RSUs cash-settled	(50,165)	$	3.14	-	No
RSUs exercised	(36,142)	$	5.11	-	No
Balance at September 30, 2022	**416,440**	**$**	**2.75**	**1.33**	

11.5 Deferred share units

On the reporting date, the Company values the DSUs using 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.

The movement in DSUs was as follows:

	Number of DSUs		Weighted average share price	Performance based
Balance at January 1, 2021	**171,318**	**$**	**3.06**	
DSUs issued	82,356	$	3.06	No
DSUs redeemed	(153,813)	$	3.17	No
Balance at December 31, 2021	**99,861**	**$**	**3.11**	
Balance at January 1, 2022	**99,861**	**$**	**3.11**	
DSUs issued	61,269	$	2.94	No
Balance at September 30, 2022	**161,130**	**$**	**2.56**	

12. REVENUE

12.1 Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in note 16. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results:

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

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Decaffeinated coffee sales	$ 39,911	$ 31,029	$ 115,086	$ 78,759
Decaffeination services	3,146	2,119	8,867	4,981
Distribution	3,097	2,348	8,984	6,207
	$ 46,154	$ 35,496	$ 132,937	$ 89,947

12.2 Contract balances

As at September 30, 2022, the accounts receivable balance of $21.2 million (December 31, 2021: $14.1 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.

13. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Short-term benefits	$ 2,992	$ 3,037	$ 9,356	$ 8,583
Long-term benefits	170	111	379	485
Post-employment benefits	242	227	850	819
	$ 3,404	$ 3,375	$ 10,585	$ 9,887

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

14.1 Compensation of Key Management Personnel

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

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Short-term benefits	$ 562	$ 469	$ 1,693	$ 1,575
Long-term benefits	139	82	275	359
Post-employment benefits	42	51	175	180
	$ 743	$ 602	$ 2,143	$ 2,114

14.2 Trading transactions

During the three and nine months ended September 30, 2022 and 2021, the Company entered into the following transactions with a company that is related to a director of the Company:

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Sales	$ 605	$ 144	$ 1,444	$ 485
Purchases of raw materials	$ 1,582	$ 1,317	$ 6,531	$ 3,419

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:

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

	September 30, 2022	December 31, 2021
Accounts receivable	$ 124	$ 38
Accounts payable	$ 1,055	$ 2

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.

14.3 Employee Loans

On October 26, 2021, the Company and a key management entered into a promissory note in the amount of $0.07 million. For as long as the person 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 September 30, 2022 the loan balance of $0.04 million was included in other non-current receivables (December 31, 2021: $0.07 million).

15. 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.

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Basic and diluted earnings per share				
Net income and diluted				
net income attributable to shareholders	$ (204)	$ 135	$ 2,641	$ 255
Weighted average number of shares, basic and diluted	9,165,815	9,129,673	9,155,582	9,119,793
Basic and diluted earnings per share	**$ (0.02)**	**$ 0.01**	**$ 0.29**	**$ 0.03**

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 September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Weighted average number of RSUs granted	416,440	285,178	397,370	275,399
Weighted average number of Warrants issued	2,250,000	1,785,326	2,250,000	601,648

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

16. 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.

16.1 Revenue

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Canada	$ 13,311	$ 10,209	$ 33,029	$ 29,305
United States	20,071	16,307	59,753	39,560
International and other	12,772	8,980	40,155	21,082
	$ 46,154	$ 35,496	$ 132,937	$ 89,947

16.2 Non-Current Assets (excluding deferred tax assets)

	September 30, 2022	December 31, 2021
Canada	$ 122,230	$ 107,676
United States	25	97
Europe	121	153
	$ 122,376	$ 107,926

17. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	3 months ended September 30, 2022	3 months ended September 30, 2021	9 months ended September 30, 2022	9 months ended September 30, 2021
Accounts receivable	$ (236)	$ (2,605)	$ (7,136)	$ (3,687)
Inventories	(12,534)	(3,507)	(33,138)	(7,385)
Other assets and liabilities	131	(30)	42	(647)
Prepaid expenses and other receivables	(608)	95	(805)	33
Accounts payable and accrued liabilities	9,505	4,781	25,001	6,859
Payments for asset retirement obligation	(110)	-	(110)	-
Derivative assets, liabilities and hedged firm commitments at fair value through profit and loss	1,243	(1,846)	4,822	(3,761)
	$ (2,609)	$ (3,112)	$ (11,324)	$ (8,588)

The following are cash and non cash items recognized within operating activities. As at September 30, 2022, a total of $0.5 million (December 31, 2021: $0.6 million) of depreciation on manufacturing equipment was included in inventory. During the three and nine months ended September 30, 2022 cash paid to settle RSUs was $0.1 million (2021: $0.2 million) and the Company recognized a $0.1 million Scientific Research and Development non-cash tax credit in the administrative expenses (2021: $0.1 million).

As at September 30, 2022, $5.9 million (September 30, 2021: $1.1 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.

During the three and nine months ended September 30, 2022, the Company recognized a remeasurement of asset retirement obligation and associated property plant and equipment, increasing these balances by \$0.2 million and nil respectively (2021: nil and nil). The remeasurement is a non cash item affecting the operating and investing sections of the cash flows statement. Also, during the same periods the Company paid \$0.1 million in decommissioning costs related to asset retirement obligation for the Burnaby location where as there were no such costs paid in 2021.

During the nine months ended September 30, 2022, the Company collected \$1.3 million in cash from a construction company as reimbursement and \$0.1 million from a utility company under an energy efficiency program, which was related to equipment, and reports such as proceeds within investing activities (2021: nil).

For the three and nine months ended September 30, 2022, \$0.2 million and \$0.5 million of interest paid on construction loans was capitalized during the construction phase of new manufacturing equipment (2021: \$0.1 million and \$0.1 million). The capitalized interest is an item affecting the operating and investing sections of the cash flows statement.

The Company paid \$0.1 million in financing transaction costs related to the renegotiations of borrowings during the three and nine months ended September 30, 2022 (2021: \$0.3 million and \$0.4 million). Also, during the same periods, the Company paid \$nil million in financing transaction costs related to debenture with warrants (2021 \$0.03 million and \$0.03 million). These items are components of financing activities.

Last year, during the third quarter of 2021 the Company recognized a loss on extinguishment of debt related to the convertible debenture, of which, \$1.2 million was a non cash write off of the convertible debenture bond value and the derivative value related to the conversion option. There were no such items in 2022.

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.

18. 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.

18.1 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 nine months ended September 30, 2022, revenues from three major customers of \$46.4 million (2021: \$30.6 million) represented 35% (September 30, 2021: 34%) of total revenues for the period. Three customers represented 42% of total accounts receivable as at September 30, 2022 (December 31, 2021: 36%).

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

The Company had 23% of its accounts receivable past due but not impaired as at September 30, 2022 (December 31, 2021: 18%). Of the past due accounts receivable, 82% are 1-30 days past due (December 31, 2021: 80%), while 18% are over 31 days past due (December 31, 2021: 23%).

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

18.2 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 September 30, 2022, the Company had futures contracts to buy 25.3 million lbs of green coffee with a notional value of US$54.4 million, and contracts to sell 36.5 million lbs of green coffee with a notional value of US$77.4 million. The furthest contract matures in May 2023. (December 31, 2021: buy 1.7 million lbs of green coffee with a notional value of US$3.1 million, and contracts to sell 11.8 million lbs of green coffee with a notional value of US$25.1 million). An estimated 1% decrease in the mark-to-market rate applied to coffee futures would have resulted in an estimated gain of $0.3 million to the net income before tax, and vice versa.

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

Carrying amount of hedging instruments		**September 30, 2022**		**December 31, 2021**
Fair value hedge		Commodity price risk Coffee futures		Commodity price risk Coffee futures
Nominal amount of hedging instruments (in US$'000)	$	23,003	$	22,039
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	4,431	$	3,458
Derivative Liabilities		1,234		-
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		**September 30, 2022**		**December 31, 2021**
Fair value hedge		Purchase commitments and coffee inventory		Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)		11,188		10,142
Line items in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	$	404	$	5,148
Liabilities		408		611
Changes in fair value used for calculating hedge ineffectiveness		-		-

18.3 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.

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

As at September 30, 2022, the Company had forward currency contracts to buy US$7.9 million and sell US$52.5 million (December 31, 2021: buy US$8.0 million and sell US$47.7 million) from October 2022 through to May 2025 at various Canadian exchange rates ranging from $1.2531 to $1.3707. An estimated CAD 1 cent decrease in the value of US dollar would have resulted in an estimated gain of $0.4 million to the net income and other comprehensive income before tax, and vice versa.

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.

Currency risk hedges on US$ purchases

As at September 30, 2022, the Company designated as hedging instruments US$7.9 million in forward contracts to buy US dollars, which relate to coffee purchases (December 31, 2021: US$7.0 million).

Carrying amount of hedging instruments		**September 30, 2022**		**December 31, 2021**
Fair value hedge		Foreign currency purchase forwards		Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$	7,930	$	6,962
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	732	$	62
Derivative Liabilities		-		50
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		**September 30, 2022**		**December 31, 2021**
Fair value hedge		Firm purchase commitments & inventories		Firm purchase commitments & inventories
Nominal amount of hedged item (in US$'000)	$	7,930	$	6,962
Line item in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	$	-	$	3
Liabilities		783		60
Changes in fair value used for calculating hedge ineffectiveness		-		-

As at September 30, 2022, the Company designated as hedging instruments nil in forward contracts to buy US dollars, with the purpose to purchase equipment for the new production line (December 31, 2021: US$1.0 million).

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

Carrying amount of hedging instruments	**September 30, 2022**	**December 31, 2021**
Fair value hedge	Foreign currency purchase forwards	Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$ -	$ 1,048
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	$ -	$ 17
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	**September 30, 2022**	**December 31, 2021**
Fair value hedge	Firm purchase commitments	Firm purchase commitments
Nominal amount of hedged item (in US$'000)	$ -	$ 1,048
Line item in the statement of financial position where hedged item is located	Hedged firm commitments	Hedged firm commitments
Liabilities	-	28
Changes in fair value used for calculating hedge ineffectiveness	-	-

Currency risk on hedge on US$ sales

As at September 30, 2022, the Company designated as hedging instruments US$37.4 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue (December 31, 2021: US$27.3 million).

Carrying amount of hedging instruments	**September 30, 2022**	**December 31, 2021**
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US$'000)	$ 37,435	$ 27,289
Line items in the statement of financial position where hedging instrument is located		
Derivative Assets	$ -	$ 1,192
Derivative Liabilities	2,199	63
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	**September 30, 2022**	**December 31, 2021**
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US$'000)	$ 37,435	$ 27,289
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	(2,199)	1,128

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

18.4 Liquidity risk

Non-derivative financial liabilities are as follows:

	Carrying Amount	Contractual Cash Flows			
	September 30, 2022	2022	2023 to 2024	2025 to 2026	Thereafter
Accounts payable	$ 36,586	$ 36,586	$ -	$ -	$ -
Other liabilities	687	543	144	-	-
Lease liabilities	20,370	701	5,134	5,084	2,670
Credit facility	34,301	34,306	-	-	-
Construction loans and interest	38,250	153	5,689	9,101	23,512
Debenture with warrants	13,534	-	15,272	-	-
Total	$ 143,728	$ 72,289	$ 26,239	$ 14,185	$ 26,182

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, the construction of its second production line in Delta, 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.

18.5 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 and short-term investments are made in fixed-rate instruments. The Company does have interest rate risk related to its credit facilities and FCC variable loan, where a 1% increase in the Canadian prime rate loan, holding all other variables constant, would result in a $0.4 million decrease to the income before taxes. There is no interest rate risk on the debenture with warrants, BDC construction loan and the FCC fixed loan as the interest rates are fixed.

18.6 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 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, 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.

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

Financial instruments that are measured at fair value are categorized as follows. During the nine months ended September 30, 2022, there were no transfers between level 1 and level 2 instruments.

	September 30, 2022	Level 1	Level 2	Level 3
Financial assets				
Cash	$ 2,910	$ 2,910	$ -	$ -
Derivative assets	5,164	4,432	732	-
	$ 8,074	$ 7,342	$ 732	$ -
Financial liabilities				
Derivative liabilities	$ 4,143	$ 1,234	$ 2,909	$ -
Credit facility	34,301	-	34,301	-
Construction loans	38,250	-	38,250	-
Other liabilities	687	-	687	-
	$ 77,381	$ 1,234	$ 76,147	$ -

	December 31, 2021	Level 1	Level 2	Level 3
Financial assets				
Cash	$ 4,250	$ 4,250	$ -	$ -
Derivative assets	4,915	3,457	1,458	-
	$ 9,165	$ 7,707	$ 1,458	$ -
Financial liabilities				
Derivative liabilities	$ 142	$ -	$ 142	$ -
Credit facility	23,307	-	23,307	-
Construction loans	30,655	-	30,655	-
Other liabilities	572	-	572	-
	$ 54,676	$ -	$ 54,676	$ -

19. 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 also, in the normal course of business, entered into various contracts. As at September 30, 2022, these contracts related to the purchase of green coffee in the amount of $52.1 million (December 31, 2021: $76.4 million) and equipment purchase commitments of $12.3 million (December 31, 2021: $18.4 million). Of these contracts, $63.7 million will become payable within twelve months from September 30, 2022.

20. SUBSEQUENT EVENT

On November 7, 2022, the Company announced the expansion of its credit facilities with its existing creditors, resulting in $33.25 million of incremental capital availability, consisting of $21.25 million of expanded revolving credit capacity for working capital and $12.0 million of incremental senior-term financing for capital expansions, including the Company's second production line in Delta, British Columbia ("Delta 2"). The following is a summary of the material terms of the amendments, which, pursuant to the rules of the Toronto Stock Exchange, are anticipated to become effective 10 business days after the date of the announcement.

Credit Facility - Expanded Revolving Credit Facility

The Company has entered into a renewal and amendment (the "Amended Revolving Facility") to the existing revolving credit facility with the Company's Canadian Bank, which provides the Company an additional $21.25 million of senior debt financing based on a borrowing base calculation by increasing the revolving credit facility from $30.0 million to $51.25 million. The Amended Revolving Facility matures on the earlier of subordinated debenture with MRC and October 19, 2025 and can be extended subject to lender's approval.

Construction loans with BDC and FCC - Expanded Senior Term Loan

The Company has entered into an amendment (the "Amended Senior Facility") to the existing senior debt facility with the Company's two lenders, Business Development Bank of Canada and Farm Credit Canada, which will provide the Company with up to an additional $12.0 million of senior debt financing by increasing the senior debt facility from $45.0 million to $57.0 million.

Debenture with Warrants

The terms of the Company's existing $15.0 million subordinated debenture (the "Debenture") held by Mill Road Capital LLC ("MRC") include a restrictive covenant that limits the amount of indebtedness ranking senior to the Debenture. In order to permit the Company to access the increased funds available under the Amended Senior Facility and Amended Revolving Facility, the Company also announced that it has entered into an amended and restated subordinated debenture (the "Amended Debenture") and an amended and restated warrant (the "Amended Warrant") with MRC.

Amended Debenture. The terms of the Amended Debenture modify the restrictive covenant to increase the total combined senior debt restriction from a maximum of $75.0 million to a maximum of $123.25 million. In return, the Amended Debenture grants to MRC a security interest subordinate to the Amended Senior Debt Facilities, consent rights on any new issue of pari passu debt and a covenant regarding fixed charge coverage ratios equivalent to that under the Amended Revolving Facility. The Amended Debenture provides the Company with the right to pre-pay the Amended Debenture at any time prior to maturity subject to specific conditions.

Amended Warrant. The Amended Warrant extends the exercise period of the warrants presently held by MRC from October 31, 2024 to April 30, 2026 and provides for a cashless exercise feature. There is no change to the number of shares issuable under the Amended Warrant (2.25 million shares) or the exercise price of the Amended Warrant ($3.33 per share). Certain existing rights of MRC regarding the nomination of a director and pre-emptive rights in respect of issuances of shares set out in ancillary agreements are now reflected in the Amended Warrant itself.