TEN PEAKS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended March 31, 2017

TEN PEAKS COFFEE COMPANY INC.

Condensed Consolidated Interim Statements of Financial Position
(Tabular amounts in thousands of Canadian dollars)
(Unaudited)

as at	Note	March 31, 2017	December 31, 2016
Assets			
Current assets			
Inventories	4	$ 14,370	$ 11,574
Accounts receivable	5	12,189	11,707
Prepaid expenses and other receivables		713	524
Short-term investments	6	12,729	12,700
Derivative assets	7	555	95
Cash and cash equivalents		9,493	12,497
Total current assets		50,049	49,097
Non-current assets			
Plant and equipment	8	16,612	16,278
Intangible assets	9	1,622	1,687
Deferred tax assets		897	837
Total non-current assets		19,131	18,802
Total assets		$ 69,180	$ 67,899
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		3,918	2,797
Accrued liabilities		950	1,166
Dividend payable	15	565	565
Derivative liabilities	7	577	815
Current portion of other liabilities	10	492	488
Total current liabilities		6,502	5,831
Non-current liabilities			
Derivative liabilities	7	251	582
Fair value adjustment on embedded option	7	2,464	3,314
Deferred tax liabilities		1,924	1,676
Convertible debenture	7	11,371	11,283
Other liabilities	10	15	81
Asset retirement obligation		802	797
Total non-current liabilities		16,827	17,733
Total liabilities		23,329	23,564
Shareholders' equity			
Share capital	11	43,496	43,496
Share-based compensation reserve		84	63
Accumulated other comprehensive income		1,044	419
Retained earnings		1,227	357
Total equity		45,851	44,335
Total liabilities and shareholders' equity		$ 69,180	$ 67,899

Commitments (note 19)

Approved on behalf of the Board
(signed) *David Rowntree* , Director (signed) *Frank Dennis* , Director

See accompanying notes to these Condensed Consolidated Interim Financial Statements

TEN PEAKS COFFEE COMPANY INC.

Condensed Consolidated Interim Statements of Income
(Tabular amounts in thousands of Canadian dollars)
(Unaudited)

for the	**Note**	**3 months ended March 31, 2017**	**3 months ended March 31, 2016**
Revenue		$ 19,223	$ 20,653
Cost of sales		(16,188)	(17,636)
Gross profit		3,035	3,017
Operating expenses			
Sales and marketing expenses		(590)	(617)
Occupancy expenses		(34)	(34)
Administration expenses		(1,144)	(1,204)
Total operating expenses		(1,768)	(1,855)
Operating income		1,267	1,162
Non-operating or other			
Finance (expense) income, net		(205)	74
(Loss) gain on risk management activities	7	(380)	105
Fair value adjustment on embedded option	7	850	-
Gain on foreign exchange		47	254
Total non-operating		312	433
Income before tax		1,579	1,595
Income tax expense		(144)	(407)
Net income for the year		$ 1,435	$ 1,188
Earnings per share			
Basic (per share)	17	$ 0.16	$ 0.13
Diluted (per share)	17	$ 0.08	$ 0.13

See accompanying notes to these Condensed Consolidated Interim Financial Statements

TEN PEAKS COFFEE COMPANY INC.

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

Condensed Consolidated Interim Statements of Comprehensive Income

	3 months ended March 31, 2017	3 months ended March 31, 2016
Net income for the year	1,435	1,188
Other comprehensive income		
Items that may be subsequently reclassified to income		
Other comprehensive income for the period, net of tax	625	1,865
Net income and other comprehensive income for the year	**$ 2,060**	**$ 3,053**

Condensed Consolidated Interim Statements of Changes in Equity

	Share capital		Share-based compensation reserve	Accumulated Other Comprehensive Income ("AOCI")	Retained earnings	Total equity
	Shares	Amount				
Balance at December 31, 2015	**9,011,566**	**$ 43,448**	**$ 72**	**$ -**	**$ (1,536)**	**$ 41,984**
Shares issued for restricted share units	27,296	48	(48)	-	-	-
Share-based compensation	-	-	39	-	-	39
Dividends (Note 15)	-	-	-	-	(2,256)	(2,256)
Net income and comprehensive income	-	-	-	419	4,149	4,568
Balance at December 31, 2016	**9,038,862**	**$ 43,496**	**$ 63**	**$ 419**	**$ 357**	**$ 44,335**
Share-based compensation	-	-	21	-	-	21
Dividends (Note 15)	-	-	-	-	(565)	(565)
Net income and comprehensive income	-	-	-	625	1,435	2,060
Balance at March 31, 2017	**9,038,862**	**$ 43,496**	**$ 84**	**$ 1,044**	**$ 1,227**	**$ 45,851**

TEN PEAKS COFFEE COMPANY INC.
Consolidated Statements of Cash Flows
(Tabular amounts in thousands of Canadian dollars)
(Unaudited)

for the	**Note**	**3 months ended March 31, 2017**	**3 months ended March 31, 2016**
Cash flows from operating activities			
Net income for the year		$ 1,435	$ 1,188
Items not affecting cash			
Depreciation and amortization		533	398
Unrealized (loss) gain on undesignated hedging instruments		237	(308)
Unrealized gain on fair value adjustment on embedded option		(850)	-
Share-based compensation expense (recovery)		19	(184)
Foreign exchange loss on cash held and on debt		1	23
Income taxes recognized in profit and loss		144	407
Interest income recognized in profit and loss		(138)	(80)
Interest expense recognized in profit and loss		343	5
		1,724	1,449
Change in non-cash working capital relating to operating activities	20	(3,227)	(48)
Net cash (used) generated from operations		**(1,503)**	**1,401**
Interest received		138	80
Interest paid		(249)	-
Income taxes paid		7	(132)
Net cash (used) generated from operating activities		**(1,607)**	**1,349**
Cash flows from investing activities			
Additions to plant and equipment		(802)	(1,655)
Addition to short-term investments		(29)	-
Net cash used in investing activities		**(831)**	**(1,655)**
Cash flows from financing activities			
Dividends paid		(565)	(563)
Net cash used in financing activities		**(565)**	**(563)**
Effects of foreign exchange rate changes on cash and cash equivalents held		(1)	(23)
Net decrease in cash and cash equivalents		(3,004)	(892)
Cash and cash equivalents, beginning of year		12,497	9,065
Cash and cash equivalents, end of year		$ 9,493	$ 8,173

See accompanying notes to these Condensed Consolidated Interim Financial Statements

1. NATURE OF BUSINESS

Ten Peaks Coffee Company Inc. ("Ten Peaks" or the "Company") is a company incorporated under the Canada Business Corporations Act. The common shares of the Company are listed on the Toronto Stock Exchange under the symbol 'TPK'. The Company's registered office is located at 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3.

Ten Peaks is a leading specialty coffee company that owns all of the interests of Swiss Water Decaffeinated Coffee Co. Inc. ("SWDCC"), a British Columbia company, and Seaforth Supply Chain Solutions Inc. ("Seaforth"), a company incorporated under the Canada Business Corporations Act.

2. BASIS OF PREPARATION

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2017 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 annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS's") 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 amended and restated audited consolidated financial statements for the year ended December 31, 2016.

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 amended and restated audited consolidated financial statements for the year ended December 31, 2016, except for those policies disclosed below.

These condensed consolidated interim financial statements are presented in Canadian dollars, the Company's functional currency.

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2017. 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:* requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the 'direct' or 'indirect' method), investing activities or financing activities, with the latter two categories generally presented on a gross basis.
- *IAS 12: Income Taxes:* implements a 'comprehensive statement of changes of financial statement method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities.

3. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and indebtedness. In order to maintain or adjust the capital structure, the

(Tabular amounts in thousands of Canadian dollars)

Company may from time to time issue common shares, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

The Company manages its capital in order to meet its growth objectives while continuing to pay quarterly dividends to its shareholders. The dividend policy of Ten Peaks is subject to the discretion of the Board of Directors, which reviews the level of dividends periodically on the basis of a number of factors including Ten Peaks' financial performance, future prospects, and the capital requirements of the business. Quarterly dividends are paid on a level basis in order to smooth out normal seasonal fluctuations that occur over the course of a year.

4. INVENTORIES

During the three months ended March 31, 2017, the cost of inventories recognized as an expense was $16.0 million (2016: $17.1 million). The hedge accounting component represents the derivative loss on designated hedges for inventory on hand as at each period end.

	March 31, 2017	December 31, 2016
Raw materials	$ 8,571	$ 5,864
Finished goods	5,946	5,835
Carbon	376	315
Packaging	143	147
Inventory provision	(24)	-
Hedge accounting component	(642)	(587)
	$ 14,370	$ 11,574

5. ACCOUNTS RECEIVABLE

The Company's accounts receivable have been reviewed for indicators of impairment. No accounts were found to be impaired and therefore no allowance for credit losses was provided as at March 31, 2017 (December 31, 2016: nil).

6. SHORT-TERM INVESTMENTS

Short-term investments consist of guaranteed investment certificates with original maturities less than three months and no more than 12 months with a fixed interest rate ranging from 1.2% to 1.5%.

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

	March 31, 2017	December 31, 2016
Coffee futures contracts, net	$ 555	$ 95
US Dollar forward contracts, current	(577)	(815)
US Dollar forward contracts, long term	(251)	(582)
Fair value adjustment on embedded option	(2,464)	(3,314)
	$ (2,737)	$ (4,616)

(Tabular amounts in thousands of Canadian dollars)

Ten Peaks entered into a convertible debenture in October 2016. Under IFRS, this instrument is deemed to contain an embedded option which must be revalued at each statement of financial position date. The fair value of the derivative liability was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on management's best estimate at each statement of financial position date. The value varies with different variables of certain subjective assumptions.

In the first quarter of 2017, this revaluation resulted in a gain of $0.9 million being recorded in income in the period.

8. PLANT AND EQUIPMENT

	Machinery and equipment	Leasehold improvements	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost						
Balance January 1, 2017	$ 33,557	$ 5,052	$ 1,062	$ 181	$ 2,083	$ 41,935
Additions	-	-	-	-	802	802
Balance March 31, 2017	$ 33,557	$ 5,052	$ 1,062	$ 181	$ 2,885	$ 42,737
Accumulated depreciation						
Balance January 1, 2017	$ (21,546)	$ (3,227)	$ (750)	$ (134)	$ -	$ (25,657)
Depreciation	(354)	(85)	(27)	(2)	-	(468)
Balance March 31, 2017	$ (21,900)	$ (3,312)	$ (777)	$ (136)	$ -	$ (26,125)
Carrying amount March 31, 2017	$ 11,657	$ 1,740	$ 285	$ 45	$ 2,885	$ 16,612
Cost						
Balance January 1, 2016	$ 28,284	$ 4,952	$ 998	$ 304	$ 2,127	$ 36,665
Additions	-	63	-	-	5,230	5,293
Disposals	(23)	-	-	-	-	(23)
Transfers	5,296	37	64	(123)	(5,274)	-
Balance December 31, 2016	$ 33,557	$ 5,052	$ 1,062	$ 181	$ 2,083	$ 41,935
Accumulated depreciation						
Balance January 1, 2016	$ (20,229)	$ (2,882)	$ (641)	$ (157)	$ -	$ (23,909)
Depreciation	(1,285)	(345)	(109)	(9)	-	(1,748)
Transfers	(32)	-	-	32	-	-
Balance December 31, 2016	$ (21,546)	$ (3,227)	$ (750)	$ (134)	$ -	$ (25,657)
Carrying amount December 31, 2016	$ 12,011	$ 1,825	$ 312	$ 47	$ 2,083	$ 16,278

For the three months ended March 31, 2017, depreciation expense of $437,000 (2016: $300,000) has been charged to cost of sales and $31,000 (2016: $16,000) was included in administrative expenses. During the period, no impairment loss was recognized (2016: nil).

(Tabular amounts in thousands of Canadian dollars)

9. INTANGIBLE ASSETS

		PPT		Brand		Total
Cost						
Balance January 1, 2017	$	3,246	$	1,000	$	4,246
Balance March 31, 2017	$	3,246	$	1,000	$	4,246
Amortization						
Balance January 1, 2017	$	(1,680)	$	(879)	$	(2,559)
Amortization		(60)		(5)		(65)
Balance March 31, 2017	$	(1,740)	$	(884)	$	(2,624)
Carrying amount March 31, 2017	$	1,506	$	116	$	1,622
Cost						
Balance January 1, 2016	$	3,246	$	1,000	$	4,246
Balance December 31, 2016	$	3,246	$	1,000	$	4,246
Amortization						
Balance January 1, 2016	$	(1,440)	$	(859)	$	(2,299)
Amortization		(240)		(20)		(260)
Balance December 31, 2016	$	(1,680)	$	(879)	$	(2,559)
Carrying amount December 31, 2016	$	1,566	$	121	$	1,687

For the three months ended March 31, 2017, amortization expense of $60,000 (2016: $60,000) relating to Proprietary Process Technology ("PPT") has been charged to cost of sales and $5,000 (2016: $6,000) relating to Brand was included in administrative expenses.

There was no impairment loss recognized for the period (2016: nil).

10. OTHER LIABILITIES

The balance represents the fair value of the deferred share units ("DSUs") and of the cash-settled portion of the restricted share units ("RSUs") outstanding as follow:

		March 31, 2017		December 31, 2016
Current portion	$	492	$	488
Long-term	$	15		81
	$	507	$	569

11. SHARE CAPITAL

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

As of March 31, 2017, there were 9,038,862 common shares, and 101,185 RSUs outstanding, respectively.

(Tabular amounts in thousands of Canadian dollars)

Restricted share units

The movement in RSUs for the period ended March 31, 2017, and the year ended December 31, 2016, is as follows:

	Number of RSUs at	Volume based weighted average share price	Remaining vesting period (years)	Performance based
Balance at January 1, 2016	**97,304**	**$ 12.01**	**1.45**	
RSUs issued for dividends	2,477	$ 8.62	1.03	No
RSUs forfeited	(3,136)	$ 6.92	-	No
RSUs cash-settled	(21,064)	$ 6.96	-	No
RSUs exercised	(27,296)	$ 6.96	-	No
Balance at December 31, 2016	**48,285**	**$ 7.86**	**1.14**	
RSUs granted	52,480	$ 6.19	1.10	No
RSUs issued for dividends	420	$ 7.19	3.00	No
Balance at March 31, 2017	**101,185**	**$ 6.48**	**0.89**	

Deferred share units

The movement in DSUs for the period ended March 31, 2017, and the year ended December 31, 2016, is as follows:

	Number of DSUs at	Weighted average share price	Performance based
Balance at January 1, 2016	57,391	$ 12.06	
DSUs issued	11,488	$ 8.79	No
Balance at December 31, 2016	68,879	$ 7.08	
DSUs issued	3,393	$ 7.12	No
DSUs exercised	(9,581)	$ 6.24	No
Balance at March 31, 2017	**62,691**	**$ 6.45**	

(Tabular amounts in thousands of Canadian dollars)

12. BANK INDEBTEDNESS

The Company had no outstanding bank debt as at March 31, 2017 or December 31, 2016, other than temporary overdraft accounts in the amount of $0.1 million (2016: $0.2 million). The following credit facilities were available to the Company as at March 31, 2017:

a. a $14.5 million revolving operating line of credit which bears interest at the bank's prime lending rate plus 75 basis points; and

b. a $1.5 million swing operating line of credit which bears interest at the bank's prime lending rate plus 75 basis points.

Any US dollar ("US$") denominated debt under the revolving operating line of credit or swing line can be financed using LIBOR loans at the LIBOR rate plus 2.35% per annum.

In addition, 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.

These facilities are collateralized by a general security agreement over all of the assets of the Company and a floating hypothecation agreement over cash balances.

As at March 31, 2017, the Company was in compliance with its debt covenants.

13. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	March 31, 2017	March 31, 2016
Short-term benefits	$ 1,690	$ 1,852
Long-term benefits	51	184
Post-employee benefits	204	212
	$ 1,945	$ 2,248

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

Post-employment benefits are contributions to employee retirement accounts, as well as statutory remittances related to post-employment benefits. These are recognized as an expense when employees have rendered service entitling them to the contributions. For the three months ended March 31, 2017, the total expense recognized in the condensed consolidated interim statement of income of $0.2 million (2016: $0.2 million) represented contributions paid to RRSPs, IRAs, CPP and EI by the Company at rates specified in the rules of the plans.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, key management personnel and companies related to directors.

Details of transactions between the Company and related parties (other than its subsidiaries) are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

(Tabular amounts in thousands of Canadian dollars)

Key Management Personnel

The remuneration of directors and key management personnel for the periods was as follows:

	March 31, 2017		March 31, 2016	
Short-term benefits	$	305	$	368
Long-term benefits		27		(183)
Post-employee benefits		25		28
	$	357	$	213

On March 16, 2017, a subsidiary of the Company and a member of Key Management (the borrower) entered into a promissory note in the amount of US$0.1 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 shall bear simple interest at a rate of 10% per annum.

Trading transactions

During the periods, the Company entered into the following transactions with companies that are related to directors:

	March 31, 2017		March 31, 2016	
Sales	$	202	$	58
Purchase of raw materials	$	2,077	$	1,026

	March 31, 2017		March 31, 2016	
Accounts receivable	$	57	$	31
Accounts payable	$	98	$	-

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

15. DIVIDENDS

For the three months ended March 31, 2017, the Company declared quarterly eligible dividends to shareholders totaling $0.6 million or $0.0625 per share (2016: $0.6 million). On April 17, 2017, the Company paid this dividend.

16. SEGMENT REPORTING

The Company's sales are primarily generated in a single segment (decaffeination of green coffee) and in three geographic areas – Canada, United States and other international markets.

The Company's revenue from external customers and its non-current assets by location are detailed below:

(Tabular amounts in thousands of Canadian dollars)

Revenue:

	3 months ended March 31, 2017	3 months ended March 31, 2016
Canada	$ 7,934	$ 8,354
United States	9,525	9,444
Other	1,764	2,855
	$ 19,223	$ 20,653

Non-Current Assets (not including deferred tax assets):

	March 31, 2017	December 31, 2016
Canada	$ 18,223	$ 17,951
United States	11	14
	$ 18,234	$ 17,965

17. BASIC AND DILUTED EARNINGS PER SHARE

3 months ended March 31, 2017	Income	Shares	EPS
Basic EPS:			
Net income, weighted average shares outstanding, EPS	$ 1,435	9,038,862	$ 0.16
Effect of diluted securities: convertible debenture	(600)	1,818,182	
Diluted EPS:			
Net income and assumed conversions	$ 835	10,857,044	$ 0.08

3 months ended March 31, 2016	Income	Shares	EPS
Basic and diluted EPS:			
Net income, weighted average shares outstanding, EPS	$ 1,188	9,011,566	$ 0.13

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of calculating the diluted earnings per share:

	2017	2016
Weighted average number of RSUs granted	21,346	-

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 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 IntercontinentalExchange in order to offset its inventory position and fix the input cost of green coffee. As at March 31, 2017, the Company had futures contracts to buy 2.1 million lbs of green coffee with a notional value of US$2.9 million, and contracts to sell 5.7 million lbs of green coffee with a notional value of US$8.0 million (December 31, 2016 – buy 2.0 million lbs with a notional value of US$2.7 million, and sell 6.4 million lbs with a notional value of US$8.8 million), with the furthest contract maturing in July 2017. The net notional value of the contracts outstanding at March 31, 2017 was approximately US$5.1 million.

The Company estimated a 1 percent change in the mark-to-market rate applied to the futures contracts as, at March 31, 2017, would have resulted in an estimated $69,000 change in income before taxes.

The following tables provide a summary of amounts related to future contacts designated as hedging instrument at March 31, 2017:

		Carrying amount of the hedging instruments			
	Nominal amount of the hedging instruments (In US$000s)	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for 2017
Fair value hedges					
Commodity price risk -Coffee futures	5,107	$ 562	$ -	Derivative assets and inventories	$ -

		Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged items				
	Nominal amount of the hedged item (In 000s lbs)	Assets	Liabilities	Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness for 2017	Cashflow hedge reserve
Fair value hedges						
Purchase commitments and coffee inventory	3,682	$ -	$ 656	Derivative assets and inventories	$ -	N/A

18.2 Foreign currency risk

The Company realizes a significant portion of its sales in US$, and purchases green coffee in US$ which is, in some cases, sold to customers in Canadian dollars. The Company enters into forward foreign currency contracts to manage its exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions. These contracts relate to the Company's future net cash flows in US$ from sales. In addition, the Company enters into forward contracts to buy US$ for coffee that it resells in Canadian dollars. At March 31, 2017, the Company had forward currency contracts to buy US$8.2 million and sell US$42.2 million (December 31, 2016: buy US$9.5 million and sell US$39.5 million) from April 2017 through to March 2020 at various Canadian exchange rates ranging from $1.1980 to $1.3935. The net notional value of the contracts outstanding at March 31, 2017 was approximately US$33.9 million.

The Company estimates a 100 basis point change in the US$ exchange rate relative to the Canadian dollar under forward foreign exchange contracts would have resulted in an estimated US$0.3 million change in income before taxes.

The following tables provide a summary of amounts related to foreign currency forward contacts designated as hedging instrument at March 31, 2017:

		Carrying amount of the hedging instruments			
	Nominal amount of the hedging instruments (In US$000s)	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for 2017
Fair value hedges					
Foreign exchange risk - Designated foreign currency purchase forwards	7,339	$ -	$ 47	Derivative liabilities and inventories	$ 7
Cashflow hedges					
Foreign exchange risk - Foreign currency forwards	31,450	$ 80	$ 863	Derivative assets and derivative liabilities	$ -

			Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged items				
	Nominal amount of the hedged item (In US$000s)		Assets	Liabilities	Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness for 2017	Cashflow hedge reserve
Foreign exchange risk - Purchase commitments and coffee inventory	7,339		$ -	$ (7)	Derivative assets, dertivative liabilities and inventories	$ 7	N/A
Cashflow hedges							
Foreign exchange risk - Foreign currency forwards	N/A	N/A	N/A	N/A	N/A	$ -	$ 844

18.3 Credit risk

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

The Company does not have significant credit risk related to cash and cash equivalents and short-term investments 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 period ended March 31, 2017, revenues from three major customers of $6.9 million (2016: $8.8 million) represented 36% (2016: 43%) of total revenues for the period. These customers represented 41% of total accounts receivable as at March 31, 2017 (December 31, 2016: 34%).

The Company had 12% of its accounts receivable past due but not impaired as at March 31, 2017 (December 31, 2016: 13%). Of the accounts receivable past due, 73% are 1-30 days, 26% are 31-60 days and 1% are over 60 days past due.

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

18.4 Liquidity risk

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

(Tabular amounts in thousands of Canadian dollars)

18.5 Fair value of financial instruments

Financial instruments that are measured at FVTPL are categorized as follows:

	March 31, 2017	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Cash, cash equivalents and short-term investments	$ 22,222	$ 22,222	$ -	$ -
Derivative assets	555	555	-	-
	$ 22,777	$ 22,777	$ -	$ -
Financial liabilities at FVTPL				
Derivative liabilities	$ 828	$ -	$ 828	$ -
Other liabilities	507	$ -	$ 507	$ -
	$ 1,335	$ -	$ 1,335	$ -

	December 31, 2016	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Cash, cash equivalents and short-term investments	$ 25,197	$ 25,197	$ -	$ -
Derivative assets	95	95	-	-
	$ 25,292	$ 25,292	$ -	$ -
Financial liabilities at FVTPL				
Derivative liabilities	$ 1,397	$ -	$ 1,397	$ -
Other liabilities	569	$ -	$ 569	$ -
	$ 1,966	$ -	$ 1,966	$ -

During the period, there were no transfers between level 1 and 2 instruments.

19. COMMITMENTS

19.1 Operating lease commitments

SWDCC leases a facility which houses its decaffeination plant and offices. The current lease term expires in 2018. After 2018, the lease on the decaffeination facility can be renewed at SWDCC's option for one additional five -year term.

Seaforth operates in a single warehouse facility. The current lease term expires on June 30, 2019.

In March 2017, Swiss Water Decaffeinated Coffee Company USA, Inc. extended its lease for its Seattle sales office for a further three years. The lease extension expires on March 31, 2020.

A summary of future minimum payments under these operating leases as at March 31, 2017 is as follows:

Minimum lease payments due:	
No later than 1 year	$ 1,013
Later than 1 year and no later than 5 years	964
Later than 5 years	-
	$ 1,977

(Tabular amounts in thousands of Canadian dollars)

19.2 Other lease commitments

SWDCC signed a lease agreement for a build-to-suit production facility. The lease has an initial term of five years, and can be renewed at SWDCC's option in 5-year increments up to a total of 30 years. The lease will commence the earlier of the date of opening of the SWDCC business in any part of the premises, and the date of expiry of the fixturing period, which is estimated to be March 2018. Under the lease, SWDCC has multiple options to buy-out the lease starting at the end of the second five-year term. The buy-out value will be equal to the fair market value of the property as determined by an appraisal process, subject to specified maximum and minimum values.

The lease also includes a construction management agreement for the construction of the highly specialized building to house the production plant. The landlord will finance a portion of the building, with loan payments commencing on the earlier of substantial completion of construction and January 1, 2019. There is no loan outstanding as at the date of these condensed consolidated interim financial statements.

A summary of future minimum payments under this lease as at March 31, 2017 is as follows:

Minimum lease payments due:		
No later than 1 year	$	98
Later than 1 year and no later than 5 years		4,713
Later than 5 years		1,080
	$	5,891

19.3 Other commitments

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

The Company has, in the normal course of business, entered into various contracts. As at March 31, 2017, these contracts related to the purchase of green coffee in the amount of $35.9 million, and natural gas purchase commitments in the amount of $0.3 million. $35.5 million of these contracts will become payable within 12 months from March 31, 2017.

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	3 months ended			
		March 31, 2017		March 31, 2016
Accounts receivable	$	(482)	$	(2,095)
Inventories		(2,796)		2,073
Prepaid expenses and other receivables		(189)		115
Accounts payable and accrued liabilities		881		78
Derivative assets at fair value through profit or loss		(460)		(612)
Derivative liabilities at fair value through profit or loss		(181)		393
	$	(3,227)	$	(48)